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ABSTRACT

In June 1994, the Maryland Joint Legislative Workgroup on Community College Financing was formed to evaluate the state's funding formula for community colleges and its responsibility to adequately fund Baltimore City Community College (BCCC). The Workgroup reviewed the statutory role of community colleges, BCCC's creation in 1990 by the Legislature, and the current funding formula which distributes general funds by fixed cost grants, marginal cost grants, college size, relative wealth of institutions, challenge grants, and fixed-cost equity adjustment. Due to the complexity of the issues involved, the Workgroup requested a one-year extension to conduct in-depth analyses, but as an interim measure, recommended that any money over the $88.1 million already derived from the state formula for fiscal year 1996 be distributed on a priority basis as follows: (1) fund a hold harmless provision, so that no institution receives less than in the previous year; (2) fully fund statewide programs for high-cost academic programs and programs in allied health fields with labor shortages; and (3) give any remaining funds to colleges on a full-time equivalent student basis. The Workgroup also recommended that BCCC be given a funding increase comparable to that given to other colleges and that BCCC's faculty salary structure be analyzed and adjustments recommended, if appropriate. Finally, the group recommended that the state Commission act to resolve existing problems related to transferring credit from community colleges to other public institutions of higher education in Maryland. (A glossary of terms, state education codes on the definition of full-time equivalent students, a list of foundation dates of the state's colleges, an overview of other states' funding formulae, and data on state and county aid to community colleges are appended.) (KP)

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JOINT LEGISLATIVE WORKGROUP ON COMMUNITY COLLEGE FINANCING

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January 1995

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JOINT LEGISLATIVE WORKGROUP ON COMMUNITY COLLEGE FINANCING

ANNAPOLIS, MARYLAND

January 1995

GENERAL ASSEMBLY OF MARYLAND

ANNAPOLIS, MARYLAND 21401

January 1995

Honorable Thomas V. Mike Miller, Jr.
President of the Senate
State House
Annapolis, Maryland 21401

Honorable Casper R. Taylor, Jr.
Speaker of the House
State House
Annapolis, Maryland 21401

Dear President Miller and Speaker Taylor:

We respectfully submit the recommendations of the Joint Workgroup on Community College Financing.

In June 1994, you appointed the Joint Workgroup on Community College Financing and asked us to serve as its Co-Chairmen. In the initial charge to the workgroup, we were asked to evaluate and consider changes to the funding formula for community colleges and to examine the state's responsibility to adequately fund Baltimore City Community College.

In accordance with this directive, the members of the workgroup met four times during the 1994 interim. We have been briefed on the role of community colleges in Maryland, learned the evolution of the funding formula and studied in detail the current formula. In addition, we received testimony from representatives of the Maryland Higher Education Commission, University of Maryland System Administration, Maryland Association of Community Colleges and Baltimore City Community College. These representatives were invited to describe any problems they had with the current funding formula and make suggestions for improvements. They were also asked to raise any related issues they felt were relevant to the work of the group.

In light of the myriad of options presented, workgroup members feel more time is needed to carefully consider each option. Therefore, in an earlier letter, we respectfully requested a one-year extension to conduct an in-depth analysis of the formula during the 1995 interim. As an interim measure, the workgroup recommends that any additional money available to community colleges over and above the $88.1 million resulting from the statutory formula in fiscal year 1996 should be distributed on a priority basis as follows:

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MARYLAND GENERAL ASSEMBLY
JOINT LEGISLATIVE WORKGROUP ON COMMUNITY COLLEGE FINANCING

1994 INTERIM
MEMBERSHIP ROSTER

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ROLE OF COMMUNITY COLLEGES IN MARYLAND

Statutory Role of Community Colleges

Generally

In 1988, the Maryland General Assembly passed legislation, Chapter 246 of 1988, which reorganized higher education in the state and included a "Maryland Charter for Higher Education". The Charter was intended to be a statement of policy for higher education in Maryland and established in statute the following role for the state's community colleges:

"(a) The community colleges of the state shall provide a diverse range of education services, with particular emphasis on community centered programs and programs that afford open access to persons with a variety of educational backgrounds.

(b) The community colleges of the state shall:

(1) Provide a core curriculum of general education, including courses in the arts and sciences, that should be available to all students;

(2) Provide lower level undergraduate courses, in accordance with credit transfer guidelines set by the Maryland Higher Education Commission, for students who aspire to continue their education at a senior institution;

(3) Provide technical and career education programs;

(4) Provide training in skills and fields of study of importance to the region's business community;

(5) Provide a wide variety of continuing education programs to benefit citizens of the community;

(6) Provide developmental and remedial education for citizens with needs in these areas; and

(7) Provide public services to the community's citizens."

In accordance with the role envisioned by the legislature, Maryland community colleges are comprehensive institutions serving their immediate communities and, in some cases, broader constituencies. These institutions offer a flexible, lower cost higher education alternative to accommodate the needs of a wide variety of students and provide training and re-training services to business and industry in the region. Every community college in Maryland provides custom-designed and regularly scheduled programs for businesses, government agencies, and professional and labor organizations in their regions. These programs include specific fields of vocational, technical and apprenticeship training, quality management training for all levels of supervisors, retirement planning, basic skills training, and certification courses for many professional organizations and career areas.

Baltimore City Community College

Although the role outlined above applies to all community colleges in Maryland, including Baltimore City Community College, the law also contains provisions that are unique to this institution. In the 1990 Session, the Maryland General Assembly passed legislation (Chapter 220 of 1990) that created the New Community College of Baltimore as a state-funded institution to replace the City-funded and governed Community College of Baltimore. The passage of this legislation was based on the conclusions of the Greater Baltimore Committee and others that the Community College of Baltimore was no longer able to meet the needs of the community and that a viable higher education system is essential to the City and the state's economic and social well-being. The legislation creating the New Community College of Baltimore contained a provision that would have required the institution to terminate after three years unless the General Assembly acted to continue it. Additionally, the 1990 legislation required the development of a comprehensive plan for the future organization and responsibilities of the New Community College of Baltimore.

In accordance with those requirements, at the the end of 1991, the Maryland Higher Education Commission developed a comprehensive plan for the future of the New Community College of Baltimore. In the 1992 Session, the General Assembly passed legislation (Chapter 208 of 1992) that renamed the New Community College of Baltimore as the Baltimore City Community College and provided for its continuance as a public two-year institution of higher education. Chapter 208 also provided the Baltimore City Community College with auxiliary facilities bonding authority in the amount of $15 million and required the City of Baltimore to be responsible for providing at least $600,000 annually to support education at the College. Of this amount, at least $300,000 must be expended for tuition reimbursement and scholarships.

Chapter 220 of 1990 set forth the following findings and policies:

> "(1) Public higher education should be accessible to all those who seek and qualify for admission.
>
> (2) There is a need for an effective comprehensive urban community college in Baltimore City offering educational programs that will stimulate the participation of individuals, be responsive to the needs of the community, and afford open access to individuals with a variety of educational backgrounds.
>
> (3) Businesses in the Baltimore metropolitan area are undergoing an economic transition and need and must be ready to make extensive use of and provide financial support for an effective, well-managed urban institution to train and educate their employees and prospective employees in skills and fields of study of importance to the region's business community.
>
> (4) A partnership between the state and business community is essential to attain the requisite level of financial support to create and sustain a quality institution that is responsive to the technological and continuing education needs of businesses."

Additionally, Chapter 220 provided that the purpose of the College is to provide quality, accessible, and affordable education to the citizens of Baltimore in the areas of basic skills, technical and career education, continuing education, and the arts and sciences. The law also requires the College to provide the services and programs generally required of all community colleges in the state as set forth in the Maryland Charter for Higher Education, outlined above.

Organization and Governance of Community Colleges

There are 18 community colleges in Maryland (**Exhibit 1**). There is a board of community college trustees in each county that has one or more community colleges. Each board of trustees is responsible for the exercise of general control over the community college, including the appointment of a president, the fixing of salaries and tenure of the president, faculty , and other employees of the community college, and the acquisition and disposition of property. Subject to the minimum standards of the Maryland Higher Education Commission, each board of trustees may determine entrance requirements and approve offerings that consist of transfer programs, career programs, and continuing education programs. Each board of trustees may charge students reasonable tuition and fees set by it with a view to making college education available to all qualified individuals at low cost.

Coordination of Community Colleges

Since July 1, 1992, the Maryland Higher Education Commission has been responsible for the statewide coordination of community colleges and for establishing general policies for their operation. Prior to July 1, 1992, the former State Board for Community Colleges was charged with this responsibility.

The 1991 legislation which transferred the responsibility for the coordination of community colleges to the Commission set forth the following duties and responsibilities:

"The Commission:

(1) May provide grants-in-aid for the planning of new community colleges and new programs in existing community colleges;

(2) Shall administer programs of state support and financial assistance for the community colleges;

(3) Shall assist and represent the community colleges in seeking and administering federal moneys available to them;

(4) May designate any community college instructional program as a statewide or regional program;

(5) Shall assure that courses and programs offered are within the scope of the mission of the community colleges;

EXHIBIT 1

Community College Boards

College	Established	County Service Area	Members	Term Length	Term Number
Allegany	1961	Allegany	7	6 years	No Limit
Anne Arundel	1962	Anne Arundel	8[b]	6 years	No Limit
Baltimore City	1992[a]	Baltimore City	9[b]	6 years	2
Catonsville	1956				
Essex	1957	Baltimore County	11[c]	6 years	No Limit
Dundalk	1970				
Carroll	1993	County	7	6 years	No Limit
Cecil	1968	Cecil	7	6 years	No Limit
Charles	1958	Calvert/Charles/ St. Mary's	7	5 years	2
Chesapeake	1965	Caroline/Dorchester/ Kent/Queen Anne's/ Talbot	10[d]	4 years	No Limit
Frederick	1957	Frederick	7	5 years	2
Garrett	1966	Garrett	7	6 years	No Limit
Hagerstown	1946	Washington	7	6 years	No Limit
Harford	1957	Harford	9[e]	5 years	2
Howard	1966	Howard	7	6 years	No Limit
Montgomery	1946	Montgomery	8[b]	6 years	No Limit
Prince George's	1958	Prince George's	8[b]	5 years	2
Wor-Wic	1975	Somerset/Wicomico/ Worcester	7[f]	6 years	No Limit

[a] Legislation enacted in 1990 created the New Community College of Baltimore (now Baltimore City Community College) as a state institution. The former Community College of Baltimore was established in 1947.

[b] The board includes a student member serving a one-year term. The Prince George's County student member is elected by the student body.

[c] The Baltimore County board includes four at-large members and one from each of the seven councilmanic districts.

[d] Governor appoints two members from each of the five counties in the region.

[e] The Harford County board includes three at-large members and one from each of the six councilmanic districts.

[f] At present, the board has three members from Worcester County and four from Wicomico County.

Prepared by Department of Fiscal Services, September 1994

(6) Shall assure that state funds for community colleges are spent prudently and in accordance with state guidelines;

(7) Shall provide centralized data processing assistance; and

(8) Shall coordinate relationships between the community colleges, the state and county public school systems, and the private high schools to:

(i) Facilitate cooperation among them in the guidance and admission of students to the community colleges; and

(ii) Arrange for the most advantageous use of facilities."

Mission Statements of Community Colleges

Chapter 246 of the Laws of Maryland of 1988 required the president of each public institution of higher education, including each community college, to develop a mission statement to be submitted to the institution's governing board. The governing boards are required to review and adopt the mission statement and then submit the statement to the Maryland Higher Education Commission. The Commission is required to review the mission statement and approve the statement as long as the statement is consistent with the Charter and statewide plan for higher education, will not result in the unreasonable duplication of academic programs, and will promote the efficient and effective use of the state's higher education resources. The mission statements adopted and approved for each community college in Maryland have been compiled by the Maryland Higher Education Commission and are available in a document, dated February 15, 1994, entitled "Maryland Higher Education Commission - Community College Mission Statements".

EVOLUTION OF THE COMMUNITY COLLEGE FUNDING FORMULA

Flat Per Full-time Equivalent Student Grants

The state began funding community colleges in 1946 when Hagerstown and Montgomery Community Colleges were established. State support began as a system of flat grants to each community college. From 1949 through the present, state aid has been distributed in accordance with a formula largely based on enrollment. The 1949 formula limited the maximum rate of state aid to $100 per full-time equivalent student (FTE). **Exhibit 2** below shows increases in the maximum rate per full-time equivalent student amount for most colleges by year of enactment.

Exhibit 2

1961 - $175	1971 - $700	1985 - $980
1963 - $225	1977 - $800	
1965 - $300	1980 - $850	
1968 - $400	1981 - $878	
1969 - $540	1984 - $910	

A separate formula was established for small and regional colleges in 1972. In 1972, state aid per FTE for community colleges with small enrollments (less than 500 FTEs), as well as regional colleges characterized by the same small enrollments, was raised from $700 to $875. The rationale for a higher aid rate for small and regional colleges was to help defray the fixed costs associated with a small college and to encourage counties to establish regional colleges. The 1972 change affected only Chesapeake and Garrett Community Colleges. In 1977, Wor-Wic Community College was brought into the regional aid classification, but at an aid level of $1,250. In 1978, Cecil Community College was brought into the small college classification at $1,485. **Exhibit 3** below shows increases in the maximum rate per full-time equivalent student amount for small and regional colleges by year of enactment.

Exhibit 3

1973 - $1,100	1981 - $1,619
1975 - $1,300	1984 - $1,720
1977 - $1,485	1985 - $1,865
1980 - $1,540	

Funding For Fixed Costs, Part-Time Students and Low Income Students

During the 1981 legislative session, the funding formula for community colleges was supplemented on a one-year basis with a $200,000 grant to each board (except Cecil, Garrett, Chesapeake, and Wor-Wic) and an additional $10 for each part-time credit student. The rationale for the flat grant was to help support the fixed operating costs of mid-size colleges. The idea behind the amount per part-time student was to help provide for the costs associated with increasing part-time student population.

During the 1984 legislative session, the General Assembly, acting upon the recommendations of the Governor, increased the aid per full-time equivalent student by $32 (small and regional colleges by $101), the annual flat grant by $70,000, and the grant per part-time student by $4.

During the course of the 1985 legislative session, the General Assembly, again acting upon the recommendation of the Governor, increased the aid rate per full-time equivalent student by $70 (small and regional colleges by $145), the annual flat grant by $80,000, and implemented a new low income student grant of $115 for each Pell Grant recipient served by each college.

Introduction of The Wealth Factor

In 1988, the legislature acting upon the recommendation of the Committee on the Future of Maryland Community Colleges (Blueprint for Quality), adopted a new funding formula for community colleges. The formula consisted of three components (**Exhibit 4** provides detailed information on the calculation of fiscal 1990 formula aid):

(1) An amount per FTE student to address variable costs associated with enrollment changes.

(2) An annual base grant to address the issue of institutional fixed costs and size.

(3) A supplemental grant to address equalization for poorer subdivisions.

Although the Committee on the Future of Maryland Community Colleges recommended annual inflation adjustments, the formula did not include an inflation adjustment provision.

Legislation passed during the 1990 session resulted in Baltimore City Community College (BCCC) becoming a state agency, effective July 1, 1990 (fiscal 1991). BCCC is discussed in detail later in the presentation.

Current Funding Formula

In 1991, the legislature approved the current community college funding formula (**Exhibit 5**). The current formula took effect in fiscal 1993. The current community college funding formula distributes general funds on the basis of five factors: (1) fixed cost grant; (2) marginal cost grant; (3) a size factor; (4) a wealth factor; and (5) challenge grants. The full-time equivalent enrollment used in the calculation of the formula are audited FTEs in the fiscal year 2 years prior to the fiscal year for which the state share is calculated. The enrollment used in the fiscal 1995 formula calculation are audited fiscal 1993 FTE enrollment.

STATE AID FY 1990

College	FY 1988 FTE	Aid per FTE (Col. B x RATE of $582)	Annual Grant Base FY 1988 Aid	Annual Grant	Supplemental Grant	FY 1990 Aid (Col. C+E+F)
Allegany	1,742	$1,013,844	$2,052,552	$1,591,651	$201,208	$2,806,703
Anne Arudel	6,747	3,926,754	6,591,373	4,324,929	0	8,251,683
Baltimore City	6,328	3,682,896	6,568,537	4,701,759	643,901	9,028,555
Baltimore County						
Catonsville	8,363	4,867,266	8,149,479	5,347,281	0	10,214,547
Dundalk	3,251	1,892,082	3,391,701	2,225,465	0	4,117,547
Essex	6,618	3,851,676	6,649,952	4,363,366	0	8,215,042
Cecil	937	545,334	1,810,895	1,620,298	118,346	2,283,978
Charles	2,437	1,418,334	2,594,365	2,011,800	0	3,430,134
Chesapeake	1,269	738,558	2,292,590	2,051,295	0	2,789,853
Frederick	1,773	1,031,886	2,070,369	1,605,468	0	2,637,354
Garrett	504	293,328	938,420	895,628	61,328	1,250,284
Hagerstown	1,828	1,063,896	2,211,428	1,714,852	144,521	2,923,269
Harford	3,287	1,913,032	3,355,608	2,441,997	0	4,355,011
Howard	2,621	1,525,422	2,735,217	1,990,499	0	3,515,921
Montgomery	10,402	6,053,964	10,887,754	7,144,000	0	13,197,964
Prince George's	9,168	5,335,776	9,193,087	6,032,044	0	11,367,820
Wor-Wic Tech	695	404,490	1,352,975	1,210,574	0	1,615,064
TOTAL	67,970	$39,558,540 43%	$72,846,302	51,272,886 56%	$1,169,303 1%	$92,000,729

Annual Grant: (FY 1988 Base Aid x Annual Grant Ratio x Annual Grant Factor)
(Col. D x Decimals Below x 1.193)

Enrollment Range	Annual Grant Ratio (Size Ratio)
0-599	0.80 Garrett
600-1399	0.75 Cecil, Chesapeake, Wor-Wic Tech
1400-1999	0.65 Allegany, Charles, Frederick, Hagerstown
2000-2499	0.63
2500-4999	0.61 Harford, Howard
5000-6699	0.60 Baltimore City
6700+	0.55 Anne Arundel, Baltimore County, Montgomery, Prince George's

Supplemental Grant (FY 1988 Base Aid x Wealth Factor x Supplemental Funding Escalator)
(Col. D x Decimals Below x 1.167)

Per Capita Wealth		Wealth Factor	
< $15,627	(65%)	0.0840	Allegany, Baltimore City
$15,627 - $16,829	(65% - 70%	0.0700	
$16,829 - $19,234	(71% - 80%	0.0560	Cecil, Garrett, Hagerstown
> $19,234	(>80%)	0.0000	All other colleges

EXHIBIT 4

FY 1995 COMMUNITY COLLEGE AID FORMULA CALCULATION AND SUMMARY OF FRINGE BENEFIT PAYMENTS

COLLEGES	Audited FY 1993 FTES	Fixed Cost Adjustment	Marginal Cost Adjustment	Medium Size Factor	Small Size Factor	Wealth Factor	Fixed cost Equity Adj.	FY 1995 State Aid	Estimated FY 1995 Fringes (a)	Total Estimated FY 1995 State Formula & Fringe
Allegany	1,732	$2,074,607	$569,035	$0	$251,476	$107,776	$76,192	$3,079,086	$753,408	$3,832,494
Anne Arundel	8,048	8,375,877	2,643,028	0	0	0	168,763	9,187,665	2,162,699	11,350,364
Baltimore County (b)	17,204	18,044,563	5,651,796	0	0	0	0	20,696,359	5,061,491	25,757,850
Carroll	1,710	1,232,169	561,890	0	251,476	0	889,981	2,935,516	503,033	3,438,549
Cecil	1,128	1,847,091	370,697	0	251,476	107,776	0	2,377,040	400,567	2,777,607
Charles (c)	3,260	2,484,939	1,071,027	43,110	0	0	153,137	3,752,214	931,778	4,683,992
Chesapeake (d)	1,408	1,808,081	461,933	0	251,476	0	0	2,521,489	497,895	3,019,384
Frederick	2,590	1,970,238	850,702	43,110	0	0	125,140	2,989,190	647,481	3,636,671
Garrett	609	1,098,915	199,941	0	251,476	107,776	0	1,658,108	190,204	1,848,312
Hagerstown	2,145	2,087,324	704,729	43,110	0	107,776	0	2,942,939	733,567	3,676,506
Harford	3,592	3,183,310	1,180,127	43,110	0	0	0	4,406,547	944,601	5,351,148
Howard	3,713	2,656,088	1,219,730	43,110	0	0	347,912	4,266,840	920,190	5,187,030
Montgomery	12,887	9,742,062	4,233,679	0	0	0	740,397	14,716,138	4,721,670	19,437,808
Prince George's	9,462	7,559,527	3,108,414	0	0	0	137,628	10,805,568	2,942,407	13,747,975
Wor-Wic (e)	1,378	1,389,496	452,784	0	251,476	0	321,376	2,415,132	267,983	2,683,115
										0
TOTAL	70,863	60,354,285	23,279,510	215,551	1,508,857	431,102	2,960,526	88,749,831	21,678,974	110,428,805
Challenge Grants								431,102		
				Total Formula Aid				89,180,933		
				Total Fringe Aid				21,678,974		
				West Virginia Residents				90,000		
				Statewide & Regional				506,000		
				TOTAL STATE GF SUPPORT				$111,455,907		

NOTES:

(a) Distributed based on FY 1993 actuals.
(b) Baltimore County consists of Catonsville, Dundalk, and Essex campuses.
(c) Charles consists of Charles, Calvert, and St. Mary's counties.
(d) Chesapeake consists of Caroline, Dorchester, Kent, Queen Anne's, and Talbot counties
(e) Wor-Wic consists of Somerset, Wicomico and Worcester counties.

Prepared by: Department of Fiscal Services, July, 1994.

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Fixed Cost Grant - 70% of total state aid is distributed based in proportion to each college's total formula aid in the previous year. Funds are divided and distributed to the community colleges in the same proportion in which the direct grants (total state aid net of challenge grants) were distributed in the prior fiscal year. For example, Allegany Community College received 3.4 percent of the fiscal 1994 direct grant of $87.4 million. In fiscal 1995, Allegany Community College will receive 3.4 percent of the fiscal 1995 fixed cost allocation of $60.4 million, or $2.1 million.

Marginal Cost Grant - 27% of total state aid is distributed based on the total number of full-time equivalent students (FTE) at each community college. The fiscal 1995 rate per full-time equivalent student is $328.5 (Marginal cost allocation of $23,279,510 divided by FY 1993 FTEs of 70,863). Example: Allegany Community College's marginal cost allocation of $569,035 is calculated by multiplying 1,732 FTEs by the rate per FTE of $328.5.

Size Factor - 2% of total state aid is distributed on the basis of size] Colleges with FTE enrollment less than or equal to 80% of the statewide median receive 1.75% of the total formula, divided evenly among those which qualify. 80 percent of the statewide median FTE enrollment (2,590 FTE) used in calculating the fiscal 1995 "small size" allocation is 2,072 FTEs. In fiscal 1995, $1.5 million will be divided evenly among Allegany, Carroll, Cecil, Chesapeake, Garrett, and Wor-Wic Community Colleges.

For colleges with FTE enrollments between 80% and 200% of the statewide median, 0.25% of the total formula aid is evenly distributed. 200 percent of the statewide median FTE (2,590 FTE) used in calculating the fiscal 1995 "medium size" allocation is 5,179 FTEs. In fiscal 1995, $215,551 will be divided among Charles, Frederick, Hagerstown, Harford, and Howard Community Colleges.

Wealth Factor - 0.5% of total state aid is distributed based on wealth. A county or region is eligible for a wealth factor component if the following criteria are met:

(1) The county share for the previous fiscal year divided by the total assessed valuation of real property in the supporting county or region is greater than or equal to the statewide median; and

(2) The per capita wealth of the supporting county or region is less than 80 percent of the statewide per capita wealth or the total assessed valuation of real property in the supporting county or region is less than $1 billion.

In fiscal 1995, Allegany, Cecil, Garrett, and Hagerstown Community Colleges will each receive $107,776.

Challenge Grants - 0.5% of total state aid is distributed on a competitive basis to community colleges. The purpose of the challenge grant component is to address statewide initiatives and economic development needs. In fiscal 1994, challenge grants were awarded to develop programs for using telecommunications and other instructional technology for distance workforce education and implementation of an advanced instructional science lab for the teaching of environmental and allied health related science courses. A total of nine colleges received challenge grants in fiscal 1994.

Fixed Cost Equity Adjustment - In the 1994 Session, the Governor submitted and the legislature approved a supplemental budget request of $2,960,526 for a fixed cost equity adjustment (**Exhibit 6**). This adjustment addresses the variances in fixed cost component of the formula per FTE among colleges within the large, medium and small sized categories. The fixed cost component per FTE allocation varies by over $100 per FTE for colleges in the large category, by over $250 per FTE for colleges in the medium category, and by over $1,000 per FTE for colleges in the small category.

For large and medium colleges, the equity adjustment is applied by using the mean FTE for the respective size category. For eligible colleges, the per FTE funding is brought up to the average funding per FTE for the size category. For small colleges, the median funding level per FTE is used to avoid the distortion in the average funding per FTE caused by the funding level at Carroll Community College. For eligible colleges, the per FTE funding is brought up to the median funding per FTE for the size category.

State/Local/Student Share of Funding (Exhibit 7)

From the outset, the state, local political subdivisions, and students have shared the responsibility of funding community colleges. Until 1969, the general principle remained that the state, political subdivisions, and students should each contribute one-third of the costs in equal shares. In 1969, the respective theoretical shares were shifted to 45-30-25 percent. In 1971, the goal of 50-28-22 percent distribution from the state, the political subdivisions, and students was promulgated. In 1980, the state share was altered for small and regional colleges from 50 percent to 55 percent of the current expenses. The county share of current expenses for Cecil, Garrett and Chesapeake Community Colleges was increased from 30 to 32 percent in 1985. It should be noted, however, since the state funded a maximum amount per full-time student, the state aid goal was not met for most colleges.

The preamble of the 1991 legislation establishing the current funding formula included the following statement:

> "It is the state's objective that by Fiscal Year 1996 the percentage of state support for the operating costs of community colleges, including state paid fringe benefits and challenge grants, shall be 46% of the community colleges' operating budget."

Computation of Community College Equity Adjustment
Fiscal Year 1995

College	F.Y. 1993 FTE Enrollment	F.Y. 1995 Fixed Costs Component (1)	F.Y. 1995 Fixed Costs Per Student	Difference From Ave./Med.	Additional Funds to Reach Ave./Med.
			LARGE COLLEGES		
Anne Arundel	8,045	6,363,054	791	(21)	168,763
Baltimore County	17,204	15,014,306	873	61	0
Montgomery	12,887	9,722,469	754	(57)	740,397
Prince George's	9,462	7,544,324	797	(15)	137,628
Subtotal/Average	**47,599**	**38,644,154**	**812**		
	MEDIUM COLLEGES -- LESS THAN 200% OF MEDIAN ENROLLMENT (5,179				
Charles	3,260	2,479,942	761	(47)	153,137
Frederick	2,590	1,966,276	759	(48)	125,140
Hagerstown	2,145	2,083,126	971	163	0
Harford	3,592	3,176,908	884	77	0
Howard	3,713	2,650,746	714	(94)	347,912
Subtotal/Average	**15,300**	**12,356,997**	**808**		
	SMALL COLLEGES -- LESS THAN 80% OF MEDIAN ENROLLMENT (2,072)				
Allegany	1,732	2,070,434	1,195	(44)	76,192
Carroll	1,710	1,229,691	719	(520)	889,981
Cecil	1,128	1,643,778	1,457	217	0
Chesapeake	1,406	1,804,444	1,283	44	0
Garrett	609	1,096,705	1,802	563	0
Wor-Wic	1,378	1,386,702	1,006	(233)	321,376
Median			**1,239**		
TOTAL	70,863	60,232,906	850		2,960,526

Note:

(1) Does not include additional $173,398 in formula aid.

Prepared by the Department of Fiscal Services, July, 1994.
Source: Maryland Higher Education Commission October 1993 proposal.

26-Jul-94

CURRENT UNRESTRICTED REVENUES BY SOURCE
MARYLAND COMMUNITY COLLEGES
FISCAL YEARS 1990-1995

Source	FY 1990 Actual	% of Total	FY 1991 Actual (1)	% of Total	FY 1992 Actual	% of Total	FY 1993 Actual	% of Total	FY 1994 Budgeted (2)	% of Total	FY 1995 Estimated	% of Total
State Share:												
State aid	92,000,729		79,991,391		66,278,070		83,320,414		87,427,065		88,749,831	
Benefits	25,542,398		24,778,029		19,812,481		29,268,313		20,698,041		21,678,977	
Total	117,543,127	35.9%	104,769,420	32.6%	86,090,551	26.8%	112,588,728	31.6%	108,125,106	29.4%	110,428,808	28.3%
Local Share	112,818,771	34.5%	117,900,992	36.7%	118,871,244	37.0%	111,836,743	31.4%	121,097,137	32.9%	132,072,199	33.9%
Tuition/Fees	87,874,278	26.8%	91,810,893	28.6%	110,169,878	34.3%	124,569,519	35.0%	130,133,312	35.4%	139,304,707	35.8%
Other	8,813,880	2.7%	6,552,785	2.0%	6,391,470	2.0%	7,077,292	2.0%	8,651,048	2.4%	7,791,707	2.0%
Systemwide	327,048,054	100.0%	321,033,890	100.0%	321,523,143	100.0%	355,872,383	100.0%	368,006,603	100.0%	389,597,421	100.0%
FTE	78,171		73,585		72,361		70,864		71,580 (3)		74,183 (3)	

Notes:

(1) Beginning in fiscal 1991, Baltimore City Community College is not included in the formula.
(2) Beginning in fiscal 1994, local governments are responsible for social security contribution payments.
(3) Estimate per CC-4 report.

Source: CC-4 and CC-5 reports and comprehensive annual financial plans.

Prepared by the Department of Fiscal Services, July 1994.

EXHIBIT 7

The 46 percent target was linked to the level of support provided four year colleges and universities in 1990. The administration's testimony in support of the bill included the assumption that the state would fund 40 percent of the operating costs in fiscal 1993 at a cost of $19.3 million. The state would increase its share 2 percent per year between fiscal years 1993 and 1996, reaching the 46 percent goal in fiscal year 1996.

There are maintenance of effort requirements that the state and local governments must adhere to with regard to the funding of community colleges. Statute states that "the total operating fund per full-time equivalent student to the community colleges for each fiscal year as requested by the Governor shall be not less than an amount equal to the total state operating fund per full-time equivalent student in the previous fiscal year".

By statute, in order for a board to receive an increase in the state share of support, each county that supports the community college or colleges must provide operating fund appropriations to the board in an amount not less than the county provided in the previous fiscal year. This maintenance of effort requirement was waived during the state's fiscal crisis (Fiscal 1992 - 1994).

As indicated in the administration's 1991 testimony, reducing the students' share of the cost was a central goal of the legislation. Unfortunately, state cost containment actions in fiscal 1991 ($5.8 million), fiscal 1992 ($28.8 million), and fiscal 1993 ($8 million), due to the fiscal crisis led to significant increases in tuition with a decline in the state share of support. The impact on tuition and fees at the colleges is shown on **Exhibit 8**.

Other Forms of State Support

In addition to state funding through the formula, the state provides support for teachers' retirement, capital improvement projects, interstate and regional tuition agreements, and statewide programs. In fiscal 1995, the state will provide $21.7 million for teachers' retirement contributions, $24.7 million in general obligation bond funding for capital improvement projects, $180,000 for interstate and regional tuition agreements, and $416,000 for statewide programs.

Teachers' Retirement - Up until fiscal 1994, the state provided funds for teachers' retirement and social security contribution payments. Beginning in fiscal 1994, the colleges or local governments assumed responsibility for payment of social security contributions. This action resulted in the shifting of approximately $8 million in costs to the colleges.

Community Colleges
Tuition and Required Fees Per Credit Hour for Resident of Service Area
Fiscal Years 1990 – 1995

College	Fiscal Year 1990	1991	1992	1993	1994	1995	% change FY 1990 – FY 1995
Allegany	39.83	44.97	50.97	51.00	62.17	67.17	68.6%
Anne Arundel	38.40	43.40	44.00	57.33	58.73	62.73	63.4%
Baltimore	37.67	37.67	37.75	40.00	44.08	50.00	32.7%
Carroll	N/A	N/A	N/A	N/A	49.93	49.93	N/A
Catonsville	36.00	36.00	39.00	47.27	51.93	56.27	56.3%
Cecil	33.00	35.00	39.00	45.00	53.00	55.00	66.7%
Charles (1)	41.20	44.26	48.40	55.67	56.33	63.33	53.7%
Chesapeake (2)	26.93	37.13	40.35	50.00	50.00	56.43	109.5%
Dundalk	36.07	36.00	38.47	47.27	51.93	56.27	56.0%
Essex	36.00	36.00	38.47	47.27	51.93	56.27	56.3%
Frederick	42.25	46.75	51.25	61.25	66.73	65.50	55.0%
Garrett	30.00	34.00	38.00	49.00	54.00	58.00	93.3%
Hagerstown	39.00	42.00	47.00	57.00	63.67	64.67	65.8%
Harford	37.80	41.00	43.00	61.60	61.60	61.60	63.0%
Howard	48.40	48.40	51.70	63.80	72.60	78.10	61.4%
Montgomery	46.20	48.40	51.70	52.20	63.70	64.41	39.4%
Prince George's	50.00	53.00	58.00	71.00	71.00	81.33	62.7%
Wor–Wic (3)	34.40	34.67	39.67	50.00	53.67	53.67	56.0%

Notes:

(1) Charles Community College serves Charles, St. Mary's and Calvert Counties.

(2) Chesapeake Community College serves Caroline, Dorchester, Kent, Queen Anne's and Talbot Counties.

(3) Wor–Wic Community College serves Somerset, Worcester and Wicomico Counties.

Source: Maryland Association of Community Colleges Databooks

Prepared by: Department of Fiscal Services, July 1994

EXHIBIT 8

Community Colleges
Tuition and Required Fees Per Credit Hour for Out-of-State Residents
Fiscal Years 1990 – 1995

College	Fiscal Year 1990	1991	1992	1993	1994	1995	% change FY 1990 – FY 1995
Allegany	89.93	94.97	100.97	94.00	105.17	110.17	22.5%
Anne Arundel	149.40	169.40	176.00	188.00	190.73	206.73	38.4%
Baltimore	107.67	107.67	107.75	110.00	146.08	128.00	18.9%
Carroll	N/A	N/A	N/A	N/A	152.93	152.93	N/A
Catonsville	112.40	112.40	123.00	138.53	154.93	159.27	41.7%
Cecil	95.00	101.00	113.00	129.00	141.00	146.00	53.7%
Charles (1)	121.20	128.26	136.40	155.67	160.33	179.33	48.0%
Chesapeake (2)	113.40	158.46	160.00	210.00	210.00	233.10	105.6%
Dundalk	112.47	112.40	112.87	138.53	154.93	159.27	41.6%
Essex	112.40	112.40	112.87	138.53	154.93	159.27	41.7%
Frederick	156.25	172.75	189.25	199.25	199.77	196.50	25.8%
Garrett	102.00	102.00	104.00	117.00	122.00	126.00	23.5%
Hagerstown	88.00	91.00	96.00	106.00	119.67	117.67	33.7%
Harford	114.80	118.00	120.00	146.30	146.30	146.30	27.4%
Howard	118.80	154.00	154.00	154.00	154.00	154.00	29.6%
Montgomery	118.80	125.40	135.30	151.80	169.30	172.89	45.5%
Prince George's	194.00	197.00	202.00	215.00	215.00	225.33	16.1%
Wor-Wic (3)	145.50	145.67	145.67	145.00	145.67	145.67	0.1%

Notes:

(1) Charles Community College serves Charles, St. Mary's and Calvert Counties.

(2) Chesapeake Community College serves Caroline, Dorchester, Kent, Queen Anne's and Talbot Counties.

(3) Wor-Wic Community College serves Somerset, Worcester and Wicomico Counties.

Source: Maryland Association of Community Colleges Databooks

Prepared by: Department of Fiscal Services, July 1994

Capital Improvement Program - The state shares the cost of capital improvement projects with local governments. The state provides at least 50 percent of a project's total cost. The state share is dependent on the wealth of the county. In recent years, the state general obligation bond appropriation for community college capital improvement projects has increased from a level of $7.8 million in fiscal 1992 to $24.7 million in fiscal 1995; an increase of 217 percent.

Somerset Grant - The state provides funds for Somerset County residents to attend Wor-Wic Community College at in-county tuition rates. The state pays 50 percent of the applicable out-of-county fee, provided that Somerset County pays the other 50 percent. $90,000 is budgeted for this program in fiscal 1995.

West Virginia/Garrett Agreement - Garrett Community College has a reciprocity agreement with West Virginia. Under this program, the state is required to pay to Garrett Community College an amount equal to the formula state support per FTE for each West Virginia FTE at the College under the reciprocity agreement. $90,000 is budgeted for this program in fiscal 1995.

Statewide Program - Under this program, state residents enrolled in community college instructional programs designated by the commission as a health manpower shortage program or a statewide or regional program pay only in-county tuition and fees. The state pays the differential between this amount and any applicable out-of-county tuition and fees. $416,000 is budgeted for this program in fiscal 1995.

Baltimore City Community College (BCCC)

Historical Data

Due to legislation passed during the 1990 session, BCCC became a state agency effective July 1, 1990. The legislation abolished the Community College of Baltimore and created the state controlled BCCC for a period of at least three years.

The state take-over of BCCC was predicated by management inefficiencies, ineffective resource allocation, a lack of quality in teaching and a curriculum that did not meet the current needs of the student body.

BCCC's newly approved mission emphasized a curriculum focusing on career programs, built upon a foundation in liberal arts and the sciences. Specifically emphasized were programs in nursing, computer information systems and human services.

The quality of facilities at BCCC was an additional issue of concern during the college's first year as a state institution. At the time of the state take-over of BCCC, the Department of General Services estimated that approximately $12 million was needed to upgrade the physical condition of the college's two campus sites. To date, the majority of those repairs have not been made.

Currently, BCCC continues to operate on two Baltimore City campuses at Liberty and the Inner Harbor. The college's administrative and academic control differs from others in the state due to the fact that no local funding is provided to the college. Beginning in FY 1992, the college's operating and capital budgeting process became similar to the state's public four-year higher education institutions, as indicated by funding trends in **Exhibit 9**. The exhibit indicates that state general funds continue to comprise the majority of the college's funding from FY 1991 through FY 1995. However, both restricted funds and unrestricted funds have continued to increase on an average basis during the same time period.

Restricted funds consist of federal, state and local contracts and grants, as well as endowment income and sales and services of educational products. Unrestricted funds consist of tuition and fees, and sales and services of auxiliary enterprises such as cafeteria and bookstore sales.

Exhibit 9

Baltimore City Community College - Revenues by Source
Fiscal Years 1991 - 1995

	FY 1991 Actual	FY 1992 Actual	FY 1993 Actual	FY 1994 Actual	FY 1995 Approp.
Current Unrestricted Funds	6,260,000	7,627,965	8,705,764	7,683,922	11,739,910
State General	16,441,041	15,106,231	15,988,943	15,692,726	16,646,288
Subtotal	22,701,041	22,734,196	24,694,707	23,376,648	28,386,198
Restricted Funds	5,537,919	6,636,933	10,326,359	7,500,404	10,587,910
Total Funds	28,238,960	29,371,129	35,021,066	30,877,052	38,974,108
Cap. Approp.	854,000	1,924,000	445,000	0	872,000
FTE	6,205	5,984	6,261	7,544	7,907

BCCC's current curriculum serves students seeking associate degrees in technical and transfer programs, plus customized training for business and industry. The curriculum includes specialties in health care, human services and business programs, in addition to life sciences programs.

BCCC's FY 1995 operating budget is $39 million. The state contributes 58% of current unrestricted funds; tuition and fees contribute 33%. The FY 1995 capital program includes funds of $0.9 million related to the construction of a new Life Sciences Building. The college is authorized 412 positions, including 131 full-time faculty.

Current issues facing the college include the need to upgrade facilities and an average faculty salary that is approximately $8,900 below the community college statewide average as indicated in **Exhibit 10**. In addition, BCCC lags behind the majority of other Maryland community colleges in co-curricular activities in such areas as intercollegiate athletic programs, music and theatre programs and automated registration.

Topics for Discussion

Below are potential items for discussion regarding community college funding that the workgroup may want to explore in greater detail.

(1) Since the minimum funding level for a fiscal year is primarily based on full-time equivalent enrollment, changes in a college's enrollment impact the overall minimum funding level. The impact of a decrease in a college's enrollment is shared with other colleges, as well as the impact of an increase in a college's enrollment. For example, this may result in a college receiving less state aid, although full-time equivalent enrollment has increased (**Exhibit 11**)

(2) The state and local capital improvement contribution for colleges has been increasing for the past several years. The state and local contribution for operating expenses may not adequately reflect the operating budget impact of new facilities coming on line. The workgroup may want to explore the relationship between capital budget appropriations and the operating budget impact.

(3) By statute (Section 16-205), community colleges are required to waive tuition for any resident who is 60 years old or older; any resident who is retired from the work force by reason of total and permanent disability; and certain displaced homemakers. Although tuition is waived for these individuals, the enrollment of these individuals is counted in computing full-time equivalent enrollment under the computation of state aid to community colleges. The impact of non-tuition generating enrollment on community colleges in terms of operating budget impact and eligible full-time equivalent enrollment for state aid purposes is an issue that the workgroup may want to explore further.

(4) Cost containment at Baltimore City Community College has resulted in a large percentage of part-time faculty and the elimination of several popular programs.

(5) The poor quality of facilities at Baltimore City Community College continues to be the major concern of the institution. Although the college has received capital appropriations over the past few years, deferred facilities maintenance prior to the state take-over is currently estimated to cost approximately $15 million or more.

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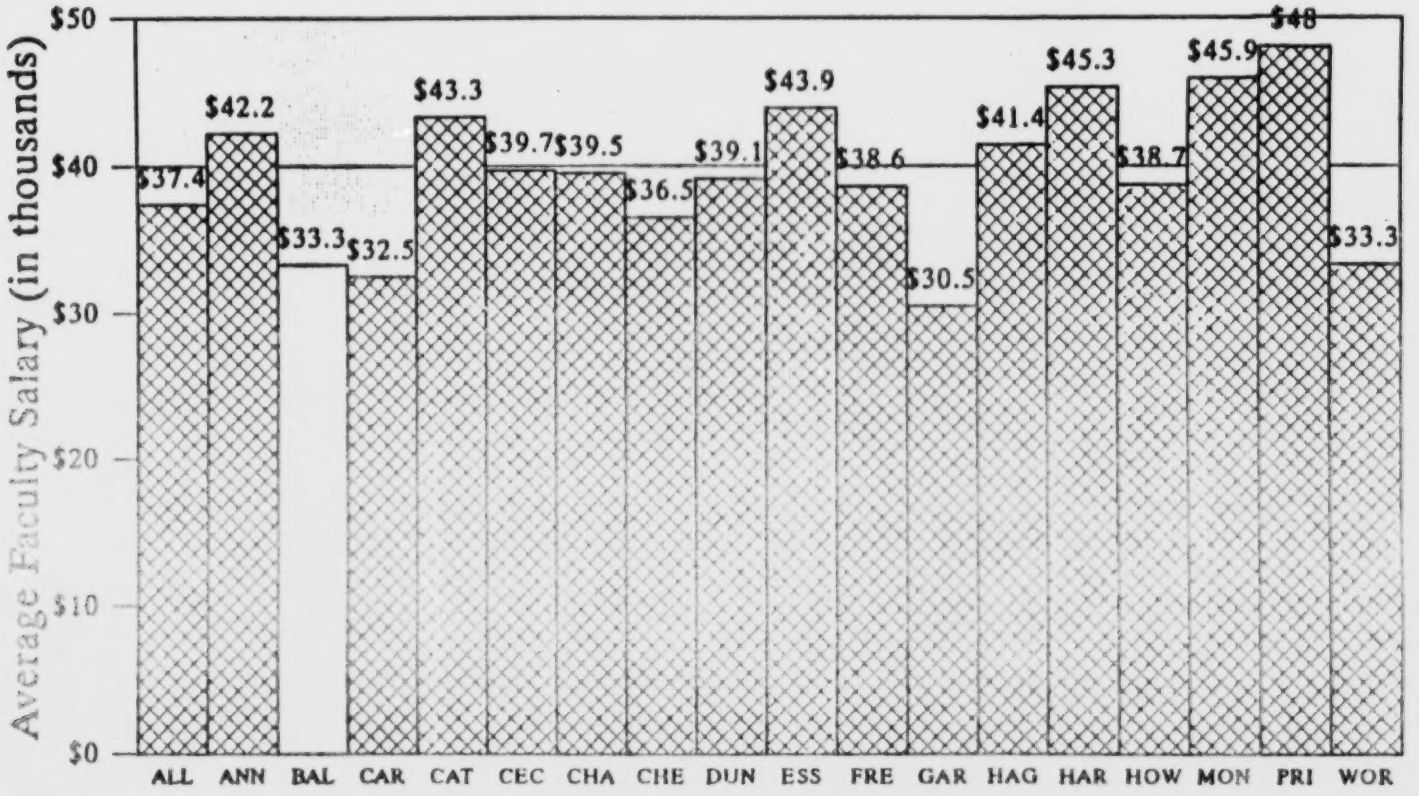
SALARIES OF FULL-TIME FACULTY

Maryland Community Colleges
Average Salary of Ten-Month Faculty, Fiscal Year 1994



Prepared by the Department of Fiscal Services, July 1994

Systemwide weighted average salary = $42,195
(Source: 1994 Databook, Maryland Association of Community Colleges)
Abbreviation is the first three letters of the college name. 07/12/94 jdt

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Relationship between Enrollment and State Aid

COLLEGES	Audited FY 1993 FTES	Audited FY 1992 FTEs	FY 1993 Minus FY 1992 FTEs	FY 1995 State Aid	FY 1994 State Aid	FY 1995 Aid Minus FY 1994 Aid
Allegany	1,732	1,807	(75)	$3,002,894	$3,005,201	($2,307)
Anne Arundel	8,045	8,182	(137)	9,018,902	9,235,868	($216,966)
Baltimore County	17,204	18,866	(1,662)	20,696,359	21,793,017	($1,096,658)
Carroll	1,710	1,695	15	2,045,535	1,784,876	$260,659
Cecil	1,128	1,070	58	2,377,040	2,385,917	($8,877)
Charles	3,260	3,249	11	3,599,077	3,599,594	($517)
Chesapeake	1,406	1,343	63	2,621,489	2,619,121	($97,632)
Frederick	2,590	2,469	121	2,864,050	2,854,017	$10,033
Garrett	609	650	(41)	1,658,108	1,591,849	$66,259
Hagerstown	2,146	2,136	10	2,942,939	3,023,623	($80,684)
Harford	3,592	3,716	(124)	4,406,547	4,611,229	($204,682)
Howard	3,713	3,524	189	3,918,928	3,847,514	$71,414
Montgomery	12,887	12,949	(62)	13,975,741	14,112,003	($136,262)
Prince George's	9,462	9,476	(14)	10,667,940	10,950,461	($282,521)
Wor-Wic	1,378	1,230	148	2,093,756	2,012,775	$80,981
TOTAL	70,863	72,361	(1,498)	85,789,305	87,427,065	(1,637,760)

Note:

State aid figures include $173,398 in additional formula aid authorized by the legislature, but does not include the fixed cost equity adjustment.

Prepared by the Department of Fiscal Services, July 1994.

EXHIBIT 11

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SUMMARY OF PUBLIC TESTIMONY

On October 4, 1994, the workgroup heard public testimony from the following:

Secretary Shaila Aery, Maryland Higher Education Commission (MHEC)
Dr. George Marx, University of Maryland System (UMS)
Kay Bienen, Maryland Association of Community Colleges (MACC)

Representatives from MHEC and MACC were invited to describe any problems they had with the current funding formula and make suggestions for improvements. They were also asked to raise any related issues they felt were relevant to the work of the group. The representative of the University System was asked to describe any work being done on the issue of articulation.

A summary of the major points raised by these three individuals is set forth below. Copies of their full testimony and any follow-up correspondence are available from the Department of Fiscal Services.

Secretary Shaila Aery, Maryland Higher Education Commission

* Workgroup members were told how the college's mission statements were developed and reviewed by MHEC. Copies of each institution's statement were included in the material MHEC distributed.

* MHEC recognized the need to take the lead on problems related to articulation of community college students to four-year institutions. Secretary Aery discussed the work of the Student Transfer Advisory Committee, which reviews transfer issues and recommends policy changes as needed. The committee also arbitrates disagreements involving transfer students who believe they have been treated unfairly in the transfer process. However, the committee's recommendations are not binding.

* Financial information was provided to workgroup members regarding:

  - The percent of state and local government support for each college for fiscal years 1990 and 1993
  - The distribution of the state's fiscal year 1995 higher education general fund appropriation
  - Eligibility requirements and funding for non-credit continuing education courses
  - Community college resident tuition and fees per credit hour by institution
  - Distribution of federal, state, institutional and private financial aid
  - Distribution of state scholarships by segment and comparative statistics

Dr. George Marx, University of Maryland System

* In Fall 1992, 52 percent of new students in the UMS entered via transfer, and over half of them were from Maryland's community colleges.

* ARTSYS is a computerized articulation system available for free to all community colleges and for a small fee to many independent colleges. Students may use ARTSYS to see what the requirements are at various four-year institutions for a particular major and whether a class they have taken or plan to take will transfer.

* The UMS Office of Articulation was established to coordinate and address articulation issues among the secondary schools, community colleges and UMS institutions.

* Students lose credits when they transfer for many reasons. Courses that do not transfer include:

  - Remedial courses
  - Courses taken in excess of the transfer limits
  - Technical or occupational courses

* MHEC establishes rules for the transfer of general education courses from the community colleges to the public, four-year institutions. The UMS institutions must comply with these. However, UMS institutions have different requirements for similar degree programs. Each institution may decide what courses it will accept toward a degree.

Kay Bienen, Maryland Association of Community Colleges

* Declining state support of community colleges' operating budgets means students have been shouldering the burden of growth. Students contribute the highest share of costs (36 percent), followed by local governments (34 percent), and the state (29 percent).

* Community colleges' physical plants are not equipped to accommodate more students.

* Any formula works as long as there is sufficient funding. Currently, there is inadequate funding for the community college formula. Suggested formula or related changes include:

  - Increasing the base funding for community colleges
  - Including a hold harmless provision in statute
  - Ensuring that a college with increasing FTEs has a commensurate increase in revenues
  - Using enrollment data from the previous year to generate the base funding level
  - Removing the disincentive for small colleges to grow by instituting a hold harmless provision
  - Fully funding all grant programs, such as statewide programs
  - Fully funding tuition waivers for seniors and disabled persons
  - Changing the disbursement of state funds from three to four times a year

- Counting out-of-state and international students when determining a college's FTEs
- Fully funding the Private Donation Incentive Fund program
- Not listing aid to community colleges as "aid to local governments."

* Dr. James Tschechtelin testified on behalf of Baltimore City Community College (BCCC). He noted that:

  - BCCC lags behind nearly every other Maryland community college in facilities, programs available and faculty salaries. For instance, BCCC lacks child care centers, swimming pools, telephone registration or extensive intercollegiate athletic programs. Some buildings lack air conditioning.

  - Funding for BCCC has fluctuated, despite a strong commitment from the state when the college was created in 1990.

  - BCCC has made numerous budget cuts and efficiencies as part of its cost containment efforts, including eliminating the senior citizen program, discontinuing seven career programs and privatizing the bookstore.

  - In the past two years, the tuition rate has been increased by 27 percent in order to address some of the financial programs of the college.

SUMMARY OF RECOMMENDATIONS

The Joint Legislative Workgroup on Community College Financing was asked to evaluate and consider changes to the funding formula and to examine the state's responsibility to adequately fund Baltimore City Community College during the 1994 interim. In light of the myriad of options presented to the workgroup and insufficient time to carefully consider each option, the workgroup has requested a one-year extension to conduct an in-depth analysis of the formula during the 1995 interim.

Among the issues warranting further consideration of the workgroup are:

- determining the effect of enrollment on costs
- studying the appropriate weight of fixed versus variable costs in the funding formula
- examining how adult education services are provided statewide
- modifying the formula to account for lab-intensive courses;
- providing for an escalator;
- funding college enrollment increases;
- modifying the size factor eligibility criteria;
- funding out-of-state FTEs;
- providing grants for transfer students with 45 credit hours;
- examining the state's policy on tuition waivers for seniors and disabled citizens;
- changing the disbursement of state funds to the community colleges; and
- setting an attainable funding goal.

As an interim measure, the workgroup recommends that any additional money available to community colleges over and above the $88.1 million resulting from the statutory formula in fiscal year 1996 should be distributed on a priority basis as follows:

1. Fund a hold harmless provision, so that no institution receives less money than it received in the previous year. Full implementation of this option would require approximately $1.3 million in additional funds in fiscal 1996 (see issue 2 attached).

2. Fully fund "statewide programs." These programs give in-county tuition and fees to out-of-county students for high-cost academic programs and programs in allied health fields with labor shortages. Full funding for this program would cost an additional $386,763 over the fiscal year 1995 appropriation (see issue 9 attached).

3. Any remaining funds should be distributed to colleges on a full-time equivalent student basis. If additional funds are available for this purpose, every college would benefit.

The workgroup recommends using the above list of priority spending items if any additional funds are available. These recommendations are presented as a one-year stop-gap measure until the workgroup is able to present a more comprehensive plan for future community college funding.

In addition, the workgroup recommends that the Maryland Higher Education Commission (MHEC) review and make recommendations concerning two additional issues: Baltimore City Community College (BCCC) and articulation. With regard to BCCC, the workgroup would like MHEC to recommend to the Governor that BCCC receive a funding increase comparable with any increase given in state aid for other community colleges. Further, MHEC is requested to analyze BCCC's faculty salary structure and make recommendations for adjustments, if appropriate. MHEC is also requested to take definitive steps to ensure that all schools work cooperatively in resolving articulation issues. Resolution of this problem is requested from MHEC by early February.

The issues included in the following sections were considered in making the above recommendations, and further study of these issues is suggested.

COMMUNITY COLLEGE FUNDING ISSUES

1. Modify Formula to Account for Lab-Intensive Courses

Issue: Courses with laboratories, clinics or other practical vocational experience components (e.g. many science, computer and medical courses) generally impose greater costs on a college than courses without labs (e.g. English, history, and other liberal arts courses.). While not easily quantified, these additional costs include increased faculty time, lab equipment, increased building maintenance and the like.

Because courses with laboratories meet more often, using contact hours, which roughly measures the number of hours a course meets, has been suggested as a substitute to using credit hours in the funding formula. The attached exhibits (**Exhibits 12 and 13**) illustrate the effect of changing the formula to use contact hours rather than credit hours when calculating full-time equivalent students (FTEs). One should note, however, that the contact hours used on these tables are based on unaudited fall 1993 figures; full year figures are not collected or available. The numbers reported by the schools might vary, as they are not required to use any single definition of contact hour for the report from which the numbers come.

Because there are more contact hours than credit hours at each school, the number of FTEs per school (which is calculated as the total number of contact hours divided by 30) increases. Because FTEs are used when calculating the state appropriation, or minimum grant amount, for the state allocation, this increase in FTEs causes the state minimum grant amount to increase substantially--an additional $9.7 million would be required for fiscal 1996. This is shown on **Exhibit 12**.

Exhibit 13 tries to isolate the effect of changing from credit hours to contact hours by making a one-time adjustment to the minimum grant amount. This table simply uses the fiscal 1995 appropriation for the minimum grant amount, instead of the usual FTE-formula driven calculation.

Options: Change formula to reflect the use of contact hours rather than credit hours when calculating FTEs. If no change is simultaneously made to the calculation of the state's minimum grant level, then changing to contact hours would require an additional $9.7 million of state funding in fiscal 1996. This increase could be avoided by making a one-time adjustment to the calculation of the minimum grant for the first year of implementation, or the increase could be phased in over a period of years.

Recommendation: The workgroup defers making any recommendation on this issue at this time. The workgroup suggests that this issue be studied further over the next year as part of a comprehensive review and analysis of the Community College funding formula.

EXHIBIT 12

CREDIT VS. CONTACT HOURS--FORMULA DRIVEN MINIMUM GRANT

BASED ON CREDIT HOURS

COLLEGES	Fixed Cost Adjustment	Marginal Cost Adjustment	Medium Size Factor	Small Size Factor	Wealth Factor	FY 1996 Formula State Aid
Allegany	$2,140,089	$570,057	$0	$220,304	$146,869	$3,077,320
Anne Arundel	6,385,742	2,775,537	0	0	0	9,161,279
Baltimore County	14,383,322	5,889,837	0	0	0	20,273,159
Carroll	2,042,651	582,290	0	220,304	0	2,845,245
Cecil	1,652,114	378,124	0	220,304	0	2,250,541
Charles	2,607,965	1,148,776	55,076	0	0	3,811,817
Chesapeake	1,752,427	468,064	0	220,304	0	2,440,796
Frederick	2,077,640	846,745	55,076	0	0	2,979,461
Garrett	1,152,024	182,572	0	220,304	146,869	1,701,769
Hagerstown	2,045,368	667,204	0	220,304	146,869	3,079,746
Harford	3,062,512	1,216,847	55,076	0	0	4,334,435
Howard	2,965,774	1,202,266	55,076	0	0	4,223,116
Montgomery	10,228,556	4,296,749	0	0	0	14,525,305
Prince George's	7,510,197	3,068,186	0	0	0	10,578,382
Wor-Wic	1,678,768	499,590	0	220,304	0	2,398,663
TOTAL	$61,685,149	$23,792,843	$220,304	$1,542,129	$440,608	$87,681,034

Challenge Grants	$440,608
Total Formula Aid	$88,121,642

BASED ON CONTACT HOURS

COLLEGES	Fixed Cost Adjustment	Marginal Cost Adjustment	Medium Size Factor	Small Size Factor	Wealth Factor	FY 1996 Formula State Aid	Difference from credit hrs.
Allegany	$2,375,482	$1,113,868	$48,907	$0	$163,024	$3,701,282	$623,962
Anne Arundel	7,088,123	2,780,774	0	0	0	9,868,898	707,618
Baltimore County	15,965,373	6,204,004	0	0	0	22,169,377	1,896,219
Carroll	2,267,327	679,454	0	285,292	0	3,232,072	386,827
Cecil	1,833,833	329,410	0	285,292	0	2,448,534	197,993
Charles	2,894,821	1,174,497	48,907	0	0	4,118,225	306,408
Chesapeake	1,945,180	441,903	0	285,292	0	2,672,375	231,580
Frederick	2,306,164	1,059,591	48,907	0	0	3,414,662	435,201
Garrett	1,278,737	335,428	0	285,292	163,024	2,062,481	360,712
Hagerstown	2,270,342	796,912	0	285,292	163,024	3,515,570	435,824
Harford	3,399,364	1,172,972	48,907	0	0	4,621,243	286,808
Howard	3,291,986	1,215,767	48,907	0	0	4,556,660	333,544
Montgomery	11,353,616	5,563,046	0	0	0	16,916,663	2,391,358
Prince George's	8,336,259	3,104,581	0	0	0	11,440,840	862,458
Wor-Wic	1,863,420	437,660	0	285,292	0	2,586,371	187,708
TOTAL	$68,470,028	$26,409,868	$244,536	$1,711,751	$489,072	$97,325,253	$9,644,220

Challenge Grants	$489,072
Total Formula Aid	$97,814,325

NOTE: THIS EXAMPLE USES THE MINIMUM GRANT FORMULA, AS NORMALLY CALCULATED. IT REQUIRES AN INCREASE IN STATE FUNDS OF $9.7 MILLION. CONTACT HOURS BASED ON UNAUDITED FALL 1993 FIGURES.

Source: Department of Fiscal Services, October 1994

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EXHIBIT 13

CREDIT VS. CONTACT HOURS--ADJUSTED MINIMUM GRANT

BASED ON CREDIT HOURS

County	Fixed Cost Adjustment	Marginal Cost Adjustment	Medium Size Factor	Small Size Factor	Wealth Factor	FY 1996 Formula State Aid
Allegany	$2,165,815	$576,910	$0	$222,952	$148,635	$3,114,312
Anne Arundel	6,462,504	2,808,901	0	0	0	9,271,405
Baltimore County	14,556,221	5,960,637	0	0	0	20,516,857
Carroll	2,067,205	589,289	0	222,952	0	2,879,447
Cecil	1,671,973	382,669	0	222,952	0	2,277,595
Charles	2,639,315	1,162,585	55,738	0	0	3,857,638
Chesapeake	1,773,493	473,691	0	222,952	0	2,470,136
Frederick	2,102,615	856,924	55,738	0	0	3,015,276
Garrett	1,165,872	184,767	0	222,952	148,635	1,722,226
Hagerstown	2,069,955	675,225	0	222,952	148,635	3,116,767
Harford	3,099,326	1,231,474	55,738	0	0	4,386,538
Howard	3,001,425	1,216,718	55,738	0	0	4,273,881
Montgomery	10,351,511	4,348,399	0	0	0	14,699,910
Prince George's	7,600,475	3,105,068	0	0	0	10,705,543
Wor-Wic	1,698,949	505,596	0	222,952	0	2,427,497
Total	$62,426,652	$24,078,852	$222,952	$1,560,666	$445,905	$88,735,027
				Challenge Grants		$445,905
				Total Formula Aid		$89,180,932

BASED ON CONTACT HOURS

County	Fixed Cost Adjustment	Marginal Cost Adjustment	Medium Size Factor	Small Size Factor	Wealth Factor	FY 1996 Formula State Aid	Difference from credit hrs.
Allegany	$2,165,815	$1,015,555	$44,590	$0	$148,635	$3,374,595	$260,284
Anne Arundel	6,462,504	2,535,335	0	0	0	8,997,838	(273,567)
Baltimore County	14,556,221	5,656,420	0	0	0	20,212,641	(304,217)
Carroll	2,067,205	619,483	0	260,111	0	2,946,800	67,353
Cecil	1,671,973	300,335	0	260,111	0	2,232,419	(45,176)
Charles	2,639,315	1,070,833	44,590	0	0	3,754,738	(102,900)
Chesapeake	1,773,493	402,899	0	260,111	0	2,436,503	(33,633)
Frederick	2,102,615	966,068	44,590	0	0	3,113,273	97,997
Garrett	1,165,872	305,822	0	260,111	148,635	1,880,440	158,214
Hagerstown	2,069,955	726,574	0	260,111	148,635	3,205,275	88,508
Harford	3,099,326	1,069,442	44,590	0	0	4,213,358	(173,180)
Howard	3,001,425	1,108,460	44,590	0	0	4,154,475	(119,406)
Montgomery	10,351,512	5,072,035	0	0	0	15,423,546	723,636
Prince George's	7,600,475	2,830,562	0	0	0	10,431,037	(274,506)
Wor-Wic	1,698,949	399,030	0	260,111	0	2,358,090	(69,407)
Total	$62,426,654	$24,078,852	$222,952	$1,560,666	$445,905	$88,735,029	n/a
				Challenge Grants		$445,905	
				Total Formula Aid		$89,180,934	

NOTE: THIS EXAMPLE REQUIRES A ONE-TIME ADJUSTMENT TO THE MINIMUM GRANT FORMULA, WHEREBY THE FISCAL YEAR 1995 APPROPRIATION IS USED RATHER THAN THE NORMALLY CALCULATED MINIMUM GRANT. CONTACT HOURS BASED ON UNAUDITED FALL 1993 FIGURES.

Source: Department of Fiscal Services, October 1994

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2. Hold Harmless Provision

Issue: Under the existing funding formula, due to an overall decrease in audited FTEs from fiscal 1993 to fiscal 1994, aid to community colleges is estimated to decrease by $1,059,293 in fiscal 1996, as compared to fiscal 1995. A hold harmless provision would ensure that colleges, at a minimum, receive the same level of state funds in a fiscal year as was received by the college in the previous fiscal year. **Exhibit 14** shows the additional funding needed in fiscal 1996 to implement the hold harmless provision.

Options: Provide funding so that no college will receive less funds than it received in the prior fiscal year. This option would require an additional $1.3 million over the mandated amount of $88.1 million in fiscal 1996.

Recommendation: The workgroup recommends the adoption of the hold harmless provision. The workgroup, however, suggests that this issue be included in the comprehensive review and analysis of the community college funding formula.

EXHIBIT 14

Hold Harmless Scenario

College	Appropriated FY 1995 Aid	Estimated FY 1996 Aid *	Add'l Funding Needed
Allegany	$3,079,064	$3,077,320	$1,744
Anne Arundel	9,187,520	9,161,279	26,241
Baltimore County			
Catonsville	9,146,079	9,014,496	131,583
Dundalk	3,415,391	3,286,693	128,698
Essex	8,132,610	7,971,970	160,640
Carroll	2,938,875	2,845,245	93,630
Cecil	2,376,986	2,250,541	126,445
Charles	3,752,225	3,811,817	0
Chesapeake	2,521,313	2,440,796	80,517
Frederick	2,989,217	2,979,461	9,756
Garrett	1,657,478	1,701,769	0
Hagerstown	2,942,785	3,079,746	0
Harford	4,406,205	4,334,435	71,770
Howard	4,267,023	4,223,116	43,907
Montgomery	14,716,390	14,525,305	191,085
Prince George's	10,805,335	10,578,382	226,953
Wor–Wic	2,415,337	2,398,663	16,674
Challenge Grants	431,102	440,608	0
Total	$89,180,935	$88,121,642	$1,309,643

* Under existing law.

Prepared by Department of Fiscal Services, October 1994.

3. Escalator

Issue: Under the current funding formula, overall increases in funding for community colleges can be realized either through an overall increase in the number of FTEs or through additional funding provided by the Governor. The current formula does not include a cost escalator that provides funding for inflationary increases. Incorporation of a possible escalator provision could be implemented as follows: the escalator provision would be used to increase the rate per FTE by the rate of inflation (state/local price inflator) before multiplying by the audited FTEs (**Exhibit 15**). Funds would then be distributed based on the current community college funding formula. **Exhibit 16** shows funding under this scenario.

Options: a. Implement an escalator. Under the scenario presented, this would require an additional $2,423,346 over the mandated amount of $88.1 million in fiscal 1996.

b. Incorporate a hold harmless provision along with the escalator provision for colleges that may experience a decline in funding even after implementation of the escalator provision. For example, in the escalator simulation, 3 colleges receive less funding in fiscal 1996 than they received in fiscal 1995 (Carroll, Cecil and Chesapeake). To hold these colleges harmless would require an additional $93,338.

Recommendation: The workgroup defers making any recommendation on this issue at this time. The workgroup suggests that this issue be studied further over the next year as part of a comprehensive review and analysis of the Community College funding formula.

CALCULATION OF THE FY 1996 MINIMUM GRANT WITH AN ESCALATOR

FY 1995 Aid	$89,180,935
FY 1993 FTEs	70,863
Rate per FTE	$1,259
Escalator: State/Local Price Deflator (FY 96)	2.75%
Escalated rate per FTE ($1,259 x 1.0275)	$1,293
FY 1994 FTEs	70,021

Rate per FTE x FY 1994 FTEs = FY 1996 Minimum Grant

$1,293 x 70,021 =	$90,544,988
Estimated FY 1996	**$90,544,988**

FY 1996 Estimated Community College Formula Funding Using Escalator

COLLEGES	Audited FY 1994 FTES	Fixed Cost Adjustment	Marginal Cost Adjustment	Medium Size Factor	Small Size Factor	Wealth Factor	Estimated FY 1996 State Aid	Appropriated FY 1995 State Aid	Percent Increase (Decrease)
Allegany	*1,677.65*	2,198,942	585,734	0	226,362	150,908	3,161,946	3,079,065	2.69%
Anne Arundel	*8,168.27*	6,561,350	2,851,865	0	0	0	9,413,215	9,187,520	2.46%
Baltimore County	*17,333.50*	14,778,863	6,051,807	0	0	0	20,830,671	20,694,080	0.66%
Carroll	*1,713.65*	2,098,824	598,303	0	226,362	0	2,923,489	2,938,875	-0.52%
Cecil	*1,112.80*	1,697,547	388,522	0	226,362	0	2,312,431	2,376,987	-2.71%
Charles	*3,380.79*	2,679,685	1,180,367	56,591	0	0	3,916,642	3,752,224	4.38%
Chesapeake	*1,377.49*	1,800,619	480,936	0	226,362	0	2,507,918	2,521,314	-0.53%
Frederick	*2,491.93*	2,134,775	870,031	56,591	0	0	3,061,396	2,989,215	2.41%
Garrett	*537.30*	1,183,704	187,593	0	226,362	150,908	1,748,568	1,657,480	5.50%
Hagerstown	*1,963.55*	2,101,616	685,553	0	226,362	150,908	3,164,439	2,942,784	7.53%
Harford	*3,581.12*	3,146,731	1,250,310	56,591	0	0	4,453,632	4,406,205	1.08%
Howard	*3,538.21*	3,047,333	1,235,328	56,591	0	0	4,339,252	4,267,023	1.69%
Montgomery	*12,645.12*	10,509,842	4,414,909	0	0	0	14,924,751	14,716,389	1.42%
Prince George's	*9,029.52*	7,716,727	3,152,561	0	0	0	10,869,288	10,805,335	0.59%
Wor-Wic	*1,470.27*	1,724,935	513,329	0	226,362	0	2,464,626	2,415,337	2.04%
TOTAL	70,021.17	63,381,492	24,447,147	226,362	1,584,537	452,725	90,092,263	88,749,833	1.51%
Challenge Grants							452,725	431,102	5.02%
TOTAL STATE AID							90,544,988	89,180,935	1.53%

Prepared by Department of Fiscal Services, October 1994.

EXHIBIT 16

4. Funding for Increases in a College's Enrollment

Issue: Under the current formula, the funding effects of increases and decreases in an individual college's enrollment are shared by all colleges since the minimum grant amount is calculated using a rate per FTE multiplied by total statewide FTEs. This may result in a college with increasing enrollment actually receiving less total formula funding in a given fiscal year than it received in the prior fiscal year.

The current formula does include a component that provides funds based on an individual college's enrollment. The marginal cost component distributes funds based on the total number of full-time equivalent students at each community college. 27 percent of a fiscal year's total minimum grant amount is distributed to colleges under the marginal cost component. Since 70 percent of the minimum grant amount is distributed under the fixed cost factor component, the full impact of enrollment increases on funding levels may not be reflected in the current formula.

For example, six colleges with increases in enrollment from fiscal 1993 to fiscal 1994 will receive less funding in fiscal 1996 than they received in fiscal 1995 (**Exhibit 17**).

A separate grant that funds increases in a college's enrollment is a possible means to provide additional funding to individual colleges with increasing enrollment. One possible way to implement this proposal is as follows: multiply the minimum rate per FTE by the increase in a college's enrollment.

Options: Provide a separate grant that provides additional funds for increasing enrollment at a college. This option would require additional funding of approximately $589,000 in fiscal 1996 (**Exhibit 18**).

Recommendation: The workgroup defers making any recommendation on this issue at this time. The workgroup suggests that this issue be studied further over the next year as part of a comprehensive review and analysis of the Community College funding formula.

EXHIBIT 17

Changes in Funding and Enrollment
FY 1995 vs. Estimated FY 1996

College	Inc./Decrease In Funding FY95 to FY96	Inc./Decrease In FTEs FY93 to FY94
Allegany	(1,744)	(54)
Anne Arundel	**(26,241)**	**123**
Baltimore County		
Catonsville	**(131,583)**	**37**
Dundalk	**(128,698)**	**36**
Essex	**(160,640)**	**58**
Carroll	**(93,630)**	**2**
Cecil	(126,445)	(16)
Charles	59,592	121
Chesapeake	(80,517)	(29)
Frederick	(9,756)	(98)
Garrett	44,291	(71)
Hagerstown	136,961	(182)
Harford	(71,770)	(11)
Howard	(43,907)	(175)
Montgomery	(191,085)	(242)
Prince George's	(226,953)	(432)
Wor-Wic	**(16,674)**	**92**
Total	(1,068,799)	(842)

Prepared by Department of Fiscal Services, October 1994.

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EXHIBIT 18

Funding FTE increases

College	Audited FY 1993 FTEs	Estimated FY 1994 FTEs	Difference	Funding Needed
Allegany	1,732	1,678	(54)	$0
Anne Arundel	8,045	8,168	123	154,756
Baltimore County				
Catonsville	7,784	7,821	37	46,696
Dundalk	2,650	2,686	36	45,614
Essex	6,768	6,826	58	72,581
Carroll	1,712	1,714	2	1,951
Cecil	1,128	1,113	(16)	0
Charles	3,260	3,381	121	151,823
Chesapeake	1,406	1,377	(29)	0
Frederick	2,590	2,492	(98)	0
Garrett	609	537	(71)	0
Hagerstown	2,145	1,964	(182)	0
Harford	3,592	3,581	(11)	0
Howard	3,713	3,538	(175)	0
Montgomery	12,887	12,645	(242)	0
Prince George's	9,462	9,030	(432)	0
Wor–Wic	1,378	1,470	92	115,828
Total	70,863	70,021	(842)	$589,250

Methodology: Increase in enrollment is multiplied by the fiscal 1995 rate per FTE amount of $1,259.

Prepared by Department of Fiscal Services, October 1994.

5. Modify Size Factor Eligibility Criteria

Issue: Current law states that "each board which operates a community college or colleges at which the total number of full-time equivalent students is less than or equal to 80% of the statewide median" is eligible to receive funds under the small size factor grant. Further, "each board which operates a community college or colleges at which the total number of full-time equivalent students is greater than 80% of the statewide median but less than or equal to 200% of the statewide median" is eligible to receive funds under the medium size factor grant.

Fluctuations in enrollment from year to year may shift a college from one size factor to another. For example, Hagerstown Community College is categorized as a medium size college in fiscal 1995; however, in fiscal 1996, Hagerstown is catergorized as a small size college. Since the available funding for eligible colleges within each size category is shared equally among the colleges, a shift in a college's size classification will impact the funding received by other eligible colleges.

Due to Hagerstown moving from the medium size category to the small size category, 4 medium size colleges (Chesapeake, Frederick, Harford, and Howard) will receive $12,052 more in fiscal 1996 under the medium size grant than they received in fiscal 1995. Six small size colleges (Allegany, Carroll, Cecil, Chesapeake, Garrett, and Wor-Wic) will receive $30,667 less in fiscal 1996 under the small size grant than they received in fiscal 1995. (These figures are based on the fiscal 1996 minimum grant amount.)

Options: a. To smooth out yearly fluctuations in enrollment impacting a college's categorization under the size factor components of the formula, the workgroup may want to consider using average enrollment figures to determine a college's eligibility under the size factor components of the formula. A scenario using 5 year average enrollment covering the period of fiscal 1990 - 1994 is presented in **Exhibits 19 and 20.**

b. The workgroup may want to re-evaluate the current eligibility criteria under the size factor components of the formula.

Recommendation: The workgroup defers making any recommendation on this issue at this time. The workgroup suggests that this issue be studied further over the next year as part of a comprehensive review and analysis of the Community College funding formula.

Size Factor Grant Eligibility using Average 5 Year FTEs

College	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994	5 year Average	Size Classification
Allegany	1,790	1,786	1,807	1,732	1,678	1,759	Small
Anne Arundel	8,555	8,855	8,182	8,046	8,168	8,361	
Baltimore	20,632	21,549	20,561	17,202	17,333	19,455	
Carroll				1,712	1,714	N/A	Small
Cecil	1,107	1,091	1,101	1,128	1,113	1,108	Small
Charles	2,787	2,972	3,249	3,261	3,381	3,130	Medium
Chesapeake	1,395	1,356	1,343	1,406	1,377	1,375	Small
Frederick	2,173	2,405	2,469	2,590	2,492	2,426	Medium
Garrett	604	634	647	609	537	606	Small
Hagerstown	2,332	2,442	2,134	2,145	1,964	2,203	Medium
Harford	3,770	3,978	3,717	3,592	3,581	3,728	Medium
Howard	3,162	3,300	3,523	3,712	3,538	3,447	Medium
Montgomery	12,404	12,576	12,949	12,888	12,645	12,692	
Prince George's	9,538	9,548	9,476	9,462	9,030	9,411	
Wor-Wic	1,047	1,093	1,238	1,378	1,470	1,245	Small
SYSTEMWIDE	71,296	73,585	72,396	70,863	70,021		

Median	2,426
80% of median	1,941
200% of median	4,852

Prepared by Department of Fiscal Services, October 1994.

FY 1996 Funding using 5 Year Average FTEs for Size Components

COLLEGES	Audited FY 1994 FTES	Fixed Cost Adjustment	Marginal Cost Adjustment	Medium Size Factor	Small Size Factor	Wealth Factor	Estimated FY 1996 State Aid	Appropriated FY 1995 State Aid	Percent Increase (Decrease)
Allegany	*1,678*	2,140,089	570,057	0	257,021	146,869	3,114,037	3,079,065	1.14%
Anne Arundel	*8,168*	6,385,742	2,775,537	0	0	0	9,161,279	9,187,520	-0.29%
Baltimore County	*17,334*	14,383,322	5,889,837	0	0	0	20,273,159	20,694,080	-2.03%
Carroll	*1,714*	2,042,651	582,290	0	257,021	0	2,881,962	2,938,875	-1.94%
Cecil	*1,113*	1,652,114	378,124	0	257,021	0	2,287,259	2,376,987	-3.77%
Charles	*3,381*	2,607,965	1,148,776	44,061	0	0	3,800,802	3,752,224	1.29%
Chesapeake	*1,377*	1,752,427	468,064	0	257,021	0	2,477,513	2,521,314	-1.74%
Frederick	*2,492*	2,077,640	846,745	44,061	0	0	2,968,446	2,989,215	-0.69%
Garrett	*537*	1,152,024	182,572	0	257,021	146,869	1,738,486	1,657,480	4.89%
Hagerstown	*1,964*	2,045,368	667,204	44,061	0	146,869	2,903,503	2,942,784	-1.33%
Harford	*3,581*	3,062,512	1,216,847	44,061	0	0	4,323,419	4,406,205	-1.88%
Howard	*3,538*	2,965,774	1,202,266	44,061	0	0	4,212,101	4,267,023	-1.29%
Montgomery	*12,645*	10,228,556	4,296,749	0	0	0	14,525,305	14,716,389	-1.30%
Prince George's	*9,030*	7,510,197	3,068,186	0	0	0	10,578,382	10,805,335	-2.10%
Wor-Wic	*1,470*	1,678,769	499,590	0	257,021	0	2,435,380	2,415,337	0.83%
TOTAL	70,021	61,685,150	23,792,843	220,304	1,542,129	440,608	87,681,034	88,749,833	-1.20%
Challenge Grants							440,608	431,102	2.21%
TOTAL STATE AID							88,121,642	89,180,935	-1.19%

Prepared by Department of Fiscal Services, October 1994.

EXHIBIT 20

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6. Funding Out-of-State FTEs

Issue: Under current Maryland Higher Education Commission regulations, out-of-state/international students are not included in the computation of full-time equivalent students for state aid purposes. At the October 4, 1994 workgroup meeting, the Maryland Association of Community Colleges (MACC) included in their testimony a proposal to fund out-of-state FTEs for state-aid purposes. MACC testified that the appropriation for independent colleges, which is also formula driven, counts all FTEs except seminarian or theological students. However, according to the Maryland Independent Colleges and Universities Association, independent colleges use only credit hours generated toward a degree for funding purposes.

Under MACC's updated proposal, 2,596 out-of-state/international FTEs would be funded, which would result in an additional $3,266,701 in fiscal 1996 (**Exhibits 21 and 22**). An argument may be made that although out-of-state FTEs are not included for state aid purposes, colleges expend resources on out-of-state FTEs for which they are not compensated in the current funding formula. It should be noted, however, that current law (Subsection 16-407) states that out-of-state students "shall pay, in addition to the student tuition and fees payable by a county resident, an out-of-state fee, equal to the state share and the county share per full-time equivalent student as determined under Subsection 16-403 of this subtitle." In effect, colleges charge a higher tuition rate per credit hour for out-of-state students which generates, on a credit hour basis, more revenues than in-state credit hours.

Options: Include out-of-state/international FTEs for state aid purposes. This option would require an additional $3.3 million in fiscal 1996.

If the workgroup decides to fund out-of-state international FTEs, the workgroup may want to modify the current out-of-state tuition requirement. The General Assembly in recent years has pressed the state four-year institutions to base non resident tuition on the full cost of their education.

Recommendation: The workgroup defers making any recommendation on this issue at this time. The workgroup suggests that this issue be studied further over the next year as part of a comprehensive review and analysis of the Community College funding formula.

Out-of-State/International FTEs
Maryland Community Colleges
FY 1994

Institution	Credit	Non-Credit	Total
Allegany	695.87	27.84	723.71
Anne Arundel	10.43	0.00	10.43
Carroll	9.93	0.00	9.93
Catonsville	112.84	0.00	112.84
Cecil	88.57	100.92	189.49
Charles	6.63	0.00	6.63
Chesapeake	0.53	1.18	1.71
Dundalk	0.00	0.00	0.00
Essex	84.74	16.42	101.16
Frederick	23.20	0.00	23.20
Garrett *	45.36	27.58	72.94
Hagerstown	346.53	23.00	369.53
Harford	27.11	0.00	27.11
Howard	21.55	26.13	47.68
Montgomery	783.04	0.00	783.04
Prince George's	90.61	0.00	90.61
Wor-Wic	11.83	13.87	25.70
Total	2,358.77	236.94	2,595.71

Effective Rate per FTE for the purposes of calculating the total state operating fund for FY 1996: 1,259

Increase in FY 96 formula funding if out of state FTEs included in formula: $3,266,701

* Not eligible for funding through West Virginia/Garrett Reciprocity Agreement.

Note: All out-of-state FTEs are presumed to be in programs eligible for state aid.

Source: CC-4, Exhibit VI

FY 1996 Estimated Community College Formula Funding – Funding Out-of-State FTEs

COLLEGES	Audited FY 1994 FTES	Fixed Cost Adjustment	Marginal Cost Adjustment	Medium Size Factor	Small Size Factor	Wealth Factor	Estimated FY 1996 State Aid	Appropriated FY 1995 State Aid	Percent Increase (Decrease)
Allegany	*2,401.36*	2,219,423	815,970	38,078	0	152,314	3,225,786	3,079,065	4.77%
Anne Arundel	*8,178.70*	6,622,464	2,779,081	0	0	0	9,401,545	9,187,520	2.33%
Baltimore County	*17,547.50*	14,916,517	5,962,553	0	0	0	20,879,070	20,694,080	0.89%
Carroll	*1,723.58*	2,118,373	585,664	0	319,859	0	3,023,896	2,938,875	2.89%
Cecil	*1,302.29*	1,713,358	442,512	0	319,859	0	2,475,729	2,376,987	4.15%
Charles	*3,387.42*	2,704,644	1,151,028	38,078	0	0	3,893,751	3,752,224	3.77%
Chesapeake	*1,379.20*	1,817,390	468,645	0	319,859	0	2,605,895	2,521,314	3.35%
Frederick	*2,515.13*	2,154,659	854,629	38,078	0	0	3,047,366	2,989,215	1.95%
Garrett	*610.24*	1,194,730	207,356	0	319,859	152,314	1,874,259	1,657,480	13.08%
Hagerstown	*2,333.08*	2,121,191	792,769	38,078	0	152,314	3,104,352	2,942,784	5.49%
Harford	*3,608.23*	3,176,040	1,226,059	38,078	0	0	4,440,177	4,406,205	0.77%
Howard	*3,585.89*	3,075,716	1,218,467	38,078	0	0	4,332,262	4,267,023	1.53%
Montgomery	*13,428.16*	10,607,732	4,562,822	0	0	0	15,170,554	14,716,389	3.09%
Prince George's	*9,120.13*	7,788,602	3,098,975	0	0	0	10,887,577	10,805,335	0.76%
Wor-Wic	*1,495.97*	1,741,001	508,323	0	319,859	0	2,569,183	2,415,337	6.37%
TOTAL	72,616.88	63,971,840	24,674,853	228,471	1,599,296	456,942	90,931,401	88,749,833	2.46%
Challenge Grants							456,942	431,102	5.99%
TOTAL STATE AID							91,388,343	89,180,935	2.48%

Prepared by Department of Fiscal Services, October 1994.

EXHIBIT 22

7. Grants for Transfer Students with 45 Credit Hours

Issue: One of the primary purposes for community college is to provide courses of study suitable for transfer to four-year institutions. A grant of $500 for each transfer student with 45 credit hours could be given to each college (**Exhibit 23**).

One should note, however, that MHEC does not collect data on the number of students transferring with at least 45 credit hours. Instead, MHEC estimated this figure by calculating the number of students graduating from a four-year institution with 85 credit hours or less earned at that institution.

Options: Include a $500 grant for students transferring with 45 credit hours to a four-year institution. This option will require additional revenues of $957,500 for fiscal year 1996.

Recommendation: The workgroup defers making any recommendation on this issue at this time. The workgroup suggests that this issue be studied further over the next year as part of a comprehensive review and analysis of the Community College funding formula.

TRANSFER STUDENT GRANT

County	Estimate of Transfer Students with > 45 credit hrs. at com. col.	Trans. Students times $500 Grant
Allegany	54	$27,000
Anne Arundel	270	135,000
Baltimore County	444	222,000
Carroll	63	31,500
Cecil	7	3,500
Charles	87	43,500
Chesapeake	31	15,500
Frederick	65	32,500
Garrett	12	6,000
Hagerstown	42	21,000
Harford	121	60,500
Howard	81	40,500
Montgomery	385	192,500
Prince George's	244	122,000
Wor-Wic	9	4,500
Total	1,915	$957,500

NOTE: Transfer Students are determined by calculating the number of students graduating from a 4-year institution with 85 credit hours or less earned at that institution.

Source: Maryland Higher Education Commission and Department of Fiscal Services, October 1994

8. Tuition Waivers

Issue: Currently, Section 16-205 of the Education Article provides that certain individuals attending community college in Maryland are exempt from the payment of tuition. Among the tuition waivers are: (1) Any resident of the State who is 60 years old or older who enrolls in any class which is eligible for State support at the community college, providing that course space is available; and (2) Any resident of the State who is retired from the work force by reason of total and permanent disability who enrolls at a community college class that has at least ten regularly enrolled students.

Senior and disabled students attending classes on tuition waivers are included as FTEs for State funding. The marginal cost is negligible for those courses offered for the general public, both credit and noncredit, in which senior and disabled students attend on a space available basis. Colleges receive State support for approved noncredit courses targeted specifically to senior or disabled students and are prohibited from charging tuition.

MACC has suggested that if the State policy is to require tuition waivers for senior and disabled persons, then the State should pick up the costs, or eliminate the free tuition requirement.

In FY 1993, the **lost revenue** as a result of the tuition waivers for the community colleges for senior and disabled residents was $1,822,615 (**Exhibit 24**). This amount is based, however, on a significant decrease in the number of tuition waivers at the colleges following cost containment measures in FY 1991-92.

Options: a. Require the State to fund tuition waivers for seniors and the disabled. This change would require an additional $1.8 million in fiscal 1996. Should the Workgroup choose to adopt this option, it may want to consider setting a cap on the overall amount of State expenditure for this option, as the number of tuition waivers could significantly increase in the future.

b. Require community colleges to charge tuition for courses or programs that are offered only to senior citizens.

c. Repeal tuition waivers for seniors and/or the disabled.

Recommendation: The workgroup defers making any decision on this issue at this time and requests additional information on the impact of matriculation fees required of seniors and the disabled on the amount of revenues lost as a result of the tuition waivers.

SENIOR AND DISABLED CITIZENS TUITION WAIVERS
MARYLAND COMMUNITY COLLEGES
FY 1991–FY 1993

Institution	FY 1991		FY 1992		FY 1993	
	No.	Cost	No.	Cost	No.	Cost
Allegany	45	9,825	35	8,335	0	0
Anne Arundel	434	111,052	408	128,686	425	125,781
Baltimore City	64	28,907	92	43,493	98	56,909
Catonsville	1,108	273,583	1,090	318,730	943	333,294
Cecil	47	9,199	8	5,000	6	2,788
Charles	20	9,870	43	15,560	34	19,846
Chesapeake	1,537	97,014	87	19,410	88	21,610
Dundalk	232	50,885	173	43,146	157	109,595
Essex	1,289	233,294	1,131	290,041	880	163,827
Frederick	282	35,240	96	23,322	102	29,359
Garrett	52	4,865	8	3,206	19	6,716
Hagerstown	133	20,573	92	28,216	41	9,690
Harford	568	65,944	827	111,223	770	112,612
Howard	208	33,879	286	72,903	303	92,111
Montgomery	3,094	440,616	1,516	364,993	1,386	365,261
Prince George's	622	228,213	615	276,128	608	366,432
Wor–Wic	21	8,577	22	11,557	19	6,784
Total	9,756	1,661,536	6,529	1,763,949	5,879	1,822,615

Source: MHEC S–5 Reports

9. Statewide Programs

Issue: State residents enrolled in community college instructional programs designated by MHEC as statewide programs or health manpower shortage programs pay only in-county tuition and fees. The state pays the pro rata share of the differential between this amount and the out-of-county tuition and fee rate, up to the amount of funds appropriated for this program. The purpose of the program is to promote efficiency yet provide access to high-cost academic programs and programs in allied health fields with labor shortages. There are currently 55 degree programs and 35 certificate programs under the statewide designation (**Exhibit 25**). It should also be noted that colleges may receive grants up to $350,000 in FY 1995 under the Health Manpower Shortage Incentive Grant program for these programs.

In fiscal year 1994, the colleges requested $802,763 in payment for statewide programs. However, the appropriation was $416,000, or a difference of $386,763.

Options: Include language in the final report requesting full-funding of the statewide program grant.

Recommendation: The workgroup supports full funding of statewide program grants. The workgroup recommends that full funding be a priority if additional funds are provided by the Governor.

STATEWIDE PROGRAMS AT MARYLAND COMMUNITY COLLEGES

Following are the remaining statewide designated programs at community colleges. Those marked with a • have been identified as low-productivity programs, which are programs having a five-year average of less than 10 Associate degrees.

Allegany Community College

	Dental Hygiene	Degree
	Medical Laboratory Tech	Degree
	Radiologic Tech	Degree
	Nursing	Degree
	Respiratory Therapist	Degree
	Automotive Tech	Degree and Certificate
	Forest Tech	Degree
	Practical Nursing	Certificate

Anne Arundel Community College

	Radiologic Technology	Degree
•	Medical Assisting	Degree and Certificate
	EMT Paramedic	Degree and Certificate

Baltimore City Community College

•	International Trade	Degree and Certificate
	Dental Hygiene	Degree
	Respiratory Therapy Tech	Degree and Certificate
	Physical Therapist Asst	Degree
	Dietetic Tech	Degree
	Dietary Manager	Certificate
	Medical Records Tech	Certificate
•	Operating Room Tech	Certificate

Carroll Community College

None

Catonsville Community College

•	Printing Management Tech	Degree and Certificate
•	Air Transportation Mgmt	Degree
	Occutherapy Assistant	Degree
	Mortuary Science	Degree
	Occupational Safety & Health	Degree and Certificate
	Automotive Technology	Degree and Certificate
•	Automated Manufacturing Tech	Degree and Certificate
•	Recreation, Parks and Leisure Studies	Degree and Certificate
	Computer Graphics	Degree and Certificate
	Interpreter Preparation	Certificate

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Statewide Programs at Maryland Community Colleges Page 2.

Cecil Community College

Professional Photography	Degree and Certificate

Charles County Community College

Nursing	Degree
Practical Nursing	Certificate

Chesapeake College

None

Dundalk Community College

	Chemical Dependency Counseling	Degree and Certificate
•	Physical Fitness	Degree and Certificate
•	Retail Floristry	Certificate

Essex Community College

	Medical Laboratory Tech	Degree
	Veterinary Tech	Degree
•	Radiography	Degree
	Diagnostic Medical Sonography	Degree and Certificate
•	Nuclear Medicine Tech	Degree and Certificate
	Physician Assistant	Degree
•	Radiation Therapy Tech	Degree and Certificate
•	Respiratory Therapy Tech	Certificate

Frederick Community College

	Respiratory Therapy	Degree
	Aviation Maintenance Tech	Degree and Certificate
•	Park Operation & Mgmt	Degree and Certificate
	Practical Nursing	Certificate

Garrett Community College

•	Natural Resources & Wildlife Tech	Degree and Certificate
	Adventure Sports Management	Degree

Hagerstown Junior College

Radiologic Tech	Degree

Harford Community College

•	Electroneurodiagnostic Tech	Degree
•	Science Lab Tech	Degree
	Practical Nursing	Certificate

Statewide Programs at Maryland Community Colleges Page 3.

Howard Community College

•	Biomedical Engineering	Degree and Certificate

Montgomery College-Rockville

•	Fire Science	Degree and Certificate

Montgomery College-Takoma Park

•	Medical Lab Technician	Degree
	Radiologic Tech	Degree
	Diagnostic Medical Sonography	Degree and Certificate
	Medical Records Tech	Degree
	Biotechnology Lab Tech	Degree

Montgomery College-Germantown

	Technical Writing	Certificate

Prince George's Community College

	Radiography (X-Ray) Tech	Degree
•	Health Information Tech	Degree and Certificate
•	Respiratory Therapist	Degree
•	Nuclear Medicine Tech	Degree

Mar-Mic Community College

	Nursing	Degree
	Licensed Practical Nurse	Certificate

10. Private Donation Incentive Grant Program

Issue: In 1989, the General Assembly passed legislation creating the Private Donation Incentive Program (Chapter 94, Acts of 1989). The intent of the program was to provide an incentive for private fund-raising by having the State match a portion of the private funds raised by the State's public colleges and universities or their affiliated foundations. The funds must have been pledged by donors during fiscal years 1990 through 1992. The legislation capped State payments to the institutions. For community colleges, the cap was set at $250,000 per institution. According to the statute, the program terminates on July 1, 1997; however, the program has never been fully funded by the State. Claims for the first year of this program exceeded available funds by approximately a 5:1 ratio.

According to figures provided by the Maryland Higher Education Commission, the foundations for the community colleges have raised a total of $3,874,292. Of this total, the amount eligible for matching by the State is $3,255,710, of which the State has paid $1,470,001. As of June 30, 1994, the unfunded balance totals $1,785,709. (**Exhibit 26**).

The FY 1996 CPS budget supports half of the State's remaining obligation under the program, with the remaining half to be funded in FY 1997. Of the $750,000 appropriation for this program for FY 1995, $210,001 is appropriated for community colleges. Accordingly, the unfunded balance will be $1,575,708.

The Maryland Association of Community Colleges testified that the donors are now asking to have their contributions returned, since the State has not met its commitment.

Options: Request the Governor to fund fully the Private Donation Incentive Program. This change would require approximately an additional $1.6 million in fiscal 1996.

Recommendation: Since the state has until FY 1997 to fulfill its obligation to fund the program, the workgroup makes no recommendation on this issue at this time.

MARYLAND HIGHER EDUCATION COMMISSION
PRIVATE DONATION INCENTIVE PROGRAM
FOUR YEAR (FY90 – FY94) SUMMARY

ELIGIBLE MATCHING MAXIMUM 7 YRS	ELIGIBLE INSTITUTIONS	CASH DONATIONS RECEIVED	MATCHING CLAIMED	STATE PAYMENTS MADE	BALANCE DUE 6/30/94
	COMMUNITY COLLEGES				
$250,000	ALLEGANY COMMUNITY COLLEGE *	$250,000	$250,000	$151,050	$98,950
$250,000	ANNE ARUNDEL COMMUNITY COLLEGE	$245,000	$245,000	$126,389	$118,611
$250,000	BALTIMORE CITY COMMUNITY COLLEGE	$24,777	$24,777	$9,457	$15,320
$250,000	CATONSVILLE COMMUNITY COLLEGE	$226,802	$226,802	$112,203	$114,599
$250,000	CECIL COMMUNITY COLLEGE	$130,704	$130,704	$40,755	$89,949
$250,000	CHARLES COUNTY COMMUNITY COLLEGE	$81,922	$81,922	$33,824	$48,098
$250,000	CHESPEAKE COMMUNITY COLLEGE	$138,135	$138,135	$40,682	$97,453
$250,000	DUNDALK COMMUNITY COLLEGE	$154,561	$154,561	$44,286	$110,275
$250,000	ESSEX COMMUNITY COLLEGE	$190,798	$190,798	$86,565	$104,231
$250,000	FREDERICK COMMUNITY COLLEGE	$244,070	$244,070	$116,690	$127,380
$250,000	GARRETT COMMUNITY COLLEGE	$209,852	$209,852	$95,583	$114,269
$250,000	HAGERSTOWN JUNIOR COLLEGE*	$568,877	$250,000	$142,646	$107,354
$250,000	HARFORD COMMUNITY COLLEGE*	$549,705	$250,000	$128,628	$121,372
$250,000	HOWARD COMMUNITY COLLEGE*	$250,000	$250,000	$93,986	$156,014
$250,000	MONTGOMERY COMMUNITY COLLEGE	$213,360	$213,360	$95,184	$118,176
$250,000	PRINCE GEORGE'S COMMUNITY COLLEGE	$242,308	$242,308	$119,594	$122,714
$250,000	WOR – WIC COMMUNITY COLLEGE	$153,423	$153,423	$32,479	$120,944
$4,250,000	SUB – TOTAL COMMUNITY COLLEGES	$3,874,292	$3,255,710	$1,470,001	$1,785,709
	FOUR – YEAR INSTITUTIONS				
$750,000	BOWIE STATE UNIVERSITY	$289,129	$269,565	$142,782	$126,783
$750,000	COPPIN STATE COLLEGE	$317,968	$282,341	$119,214	$163,127
$750,000	FROSTBURG STATE UNIVERSITY*	$3,066,914	$750,000	$389,714	$360,286
$750,000	MORGAN STATE UNIVERSITY	$323,717	$286,659	$114,098	$172,761
$750,000	ST. MARY'S COLLEGE OF MARYLAND*	$1,832,567	$750,000	$398,218	$351,782
$750,000	SALISBURY STATE UNIVERSITY*	$1,777,335	$750,000	$451,119	$298,881
$750,000	TOWSON STATE UNIVERSITY	$1,041,614	$645,808	$251,202	$394,606
$750,000	UNIVERSITY OF BALTIMORE	$957,387	$603,695	$356,278	$247,417
$750,000	UM BALTIMORE COUNTY	$426,005	$338,002	$138,315	$199,687
$750,000	UM EASTERN SHORE	$1,000,457	$625,230	$403,376	$221,854
$750,000	UM UNIVERSITY COLLEGE	$543,205	$396,603	$123,183	$273,420
$8,250,000	SUB – TOTAL FOUR – YEAR INSTITUTIONS	$11,576,298	$5,698,103	$2,887,499	$2,810,604
	RESEARCH INSTITUTIONS				
$1,250,000	UM AT BALTIMORE*	$2,755,371	$1,250,000	$418,264	$831,736
$1,250,000	UM COLLEGE PARK*	$5,961,823	$1,250,000	$474,236	$775,764
$2,500,000	SUB – TOTAL RESEARCH INSTITUTIONS	$8,717,194	$2,500,000	$892,500	$1,607,500
$15,000,000	TOTAL	$24,167,784	$11,453,813	$5,250,000	$6,203,813

NOTE: WHEN ALL PLEDGES ARE PAID 19 OF INSTITUTIONS (63%) WILL HAVE MET THE MAXIMUM ELIGIBILITY GOAL
* HAS MET MAXIMUM ELIGIBILITY GOAL

SUMMARY INFORMATION

TOTAL DONATIONS RECEIVED –	FY90,FY91,FY92 & FY93	$24,167,784
ELIGIBLE FOR MATCHING –	FY91,FY92,FY93 & FY94	$11,453,813
TOTAL STATE PAYMENTS –	FY91,FY92,FY93 & FY94	$5,250,000
BALANCE OWED ON CASH RECEIVED TO DATE AS OF JUNE 30, 1994		$6,203,813

11. Change Disbursement

Issue: Section 16-405(a) currently requires disbursement of community college funds as follows: 25 percent at the end of July and November and 50 percent at the end of March. To improve their cash flow, MACC testified that the community colleges would like their disbursement pattern changed to match that of the University of Maryland System: 25 percent on the first day of each quarter in the fiscal year. Using fiscal 1995 data, this change would cost the state a maximum of $560,000 in lost interest income, according to the Department of Fiscal Services.

For comparison's sake, independent colleges receive their money twice a year in equal shares on October 31st and March 30th during the fiscal year.

Options: Change disbursement to match the University of Maryland system disbursement pattern. This change would result in an approximate decrease of $560,000 in lost interest income for the state.

Recommendation: The workgroup defers making any recommendation on this issue at this time. The workgroup suggests that this issue be studied further over the next year as part of a comprehensive review and analysis of the Community College funding formula. In addition, the workgroup suggests that the Joint Committee on the Management of Public Funds consider this issue in its own deliberations during the 1995 interim.

12. Forty-six Percent Funding Goal

Issue: The Preamble to legislation revising the community college funding formula (Chapter 465, Acts of 1991) contained language stating that "It is the State's objective that by Fiscal Year 1996 the percentage of State support for the operating costs of community colleges statewide, including State paid fringe benefits and challenge grants, shall be 46% of the community colleges' operating budget..."

It should be noted, however, that language in a preamble to a bill has no legal effect. Additionally, since the enactment of the 1991 legislation, the State's fiscal situation required the implementation of significant cost containment measures, which greatly affected the State's ability to meet the 1991 goal.

The budgeted revenues for fiscal year 1995 show the State contribution, including benefits, to be approximately 29 percent of total unrestricted revenues. **(Exhibit 27)**.

Options: a. Reevaluate and revise the State's funding goal for community colleges by:

1. prohibiting State and local governments from reducing their respective percentage contribution of total operating costs of community colleges; and/or

2. requiring each sector - State, locals, and students - to contribute one-third of the total operating costs of community colleges.

(If the Workgroup adopts option a.2., it may want to consider setting a cap on increases in total funding costs.)

b. Set out steps to meet the funding goal.

Recommendation: The workgroup defers making any recommendation on this issue at this time. The workgroup suggests that this issue be studied further over the next year as part of a comprehensive review and analysis of the Community College funding formula.

26-Jul-94

CURRENT UNRESTRICTED REVENUES BY SOURCE
MARYLAND COMMUNITY COLLEGES
FISCAL YEARS 1990-1995

Source	FY 1990 Actual	% of Total	FY 1991 Actual (1)	% of Total	FY 1992 Actual	% of Total	FY 1993 Actual	% of Total	FY 1994 Budgeted (2)	% of Total	FY 1995 Estimated	% of Total
State Share:												
State aid	92,000,729		79,991,391		66,278,070		83,320,414		87,427,065		88,749,831	
Benefits	25,542,398		24,778,029		19,812,481		29,268,315		20,698,041		21,678,977	
Total	117,543,127	35.9%	104,769,420	32.6%	86,090,551	26.8%	112,588,729	31.6%	108,125,106	29.4%	110,428,808	28.3%
Local Share	112,816,771	34.5%	117,900,992	36.7%	118,871,244	37.0%	111,636,743	31.4%	121,097,137	32.9%	132,072,199	33.9%
Tuition/Fees	87,874,276	26.9%	91,810,693	28.6%	110,169,878	34.3%	124,569,619	35.0%	130,133,312	35.4%	139,304,707	35.8%
Other	8,813,880	2.7%	6,552,785	2.0%	6,391,470	2.0%	7,077,292	2.0%	8,651,048	2.4%	7,791,707	2.0%
Systemwide	327,048,054	100.0%	321,033,890	100.0%	321,523,143	100.0%	355,872,383	100.0%	368,006,603	100.0%	389,597,421	100.0%
FTE	78,171		73,565		72,361		70,864		71,580 (3)		74,183 (3)	

Notes:

(1) Beginning in fiscal 1991, Baltimore City Community College is not included in the formula.
(2) Beginning in fiscal 1994, local governments are responsible for social security contribution payments.
(3) Estimate per CC-4 report.

Source: CC-4 and CC-5 reports and comprehensive annual financial plans.

Prepared by the Department of Fiscal Services, July 1994.

EXHIBIT 27

13. Baltimore City Community College (BCCC)

Issue: Overall Funding Level

When BCCC became a state agency, its initial state general fund appropriation was $16.4 million. Because of the state's fiscal crisis, BCCC's appropriation actually fell in the ensuing years ($15.1--FY92, $16.0--FY93, $15.7--FY94), before rising to $16.6 million in fiscal year 1995.

Options: Request BCCC to provide comparative data showing changes it has undergone since becoming a state institution. Types of information requested include: programs available and changes in offerings, changes in enrollment by program, changes in the percentage of students earning AA degrees, and the like.

Issue: Facilities

The quality of facilities at BCCC has consistently been an issue of concern. For instance, the 30 year old Main Building at the Liberty Campus lacks air conditioning in its classrooms. At the time of the state take-over in fiscal year 1991, the Department of General Services estimated that approximately $12 million was needed to upgrade the physical condition of the college's two campus sites. Because little progress has been made since the takeover in improving the facilities, the current cost estimate to correct for the compounding effects of deferred facilities maintenance and to make necessary upgrades now stands at $15 million or more.

Options: a. Include language in the final report specifying a specific percentage increase or funding level for BCCC to reach to address and rectify its deferred maintenance problems; or

b. Request BCCC to identify deferred maintenance problems and develop a plan for joint state/college funding to rectify them.

Issue: Average Faculty Salary

The average faculty salary at BCCC is approximately $8,900 below the community college statewide average (**Exhibit 28**).

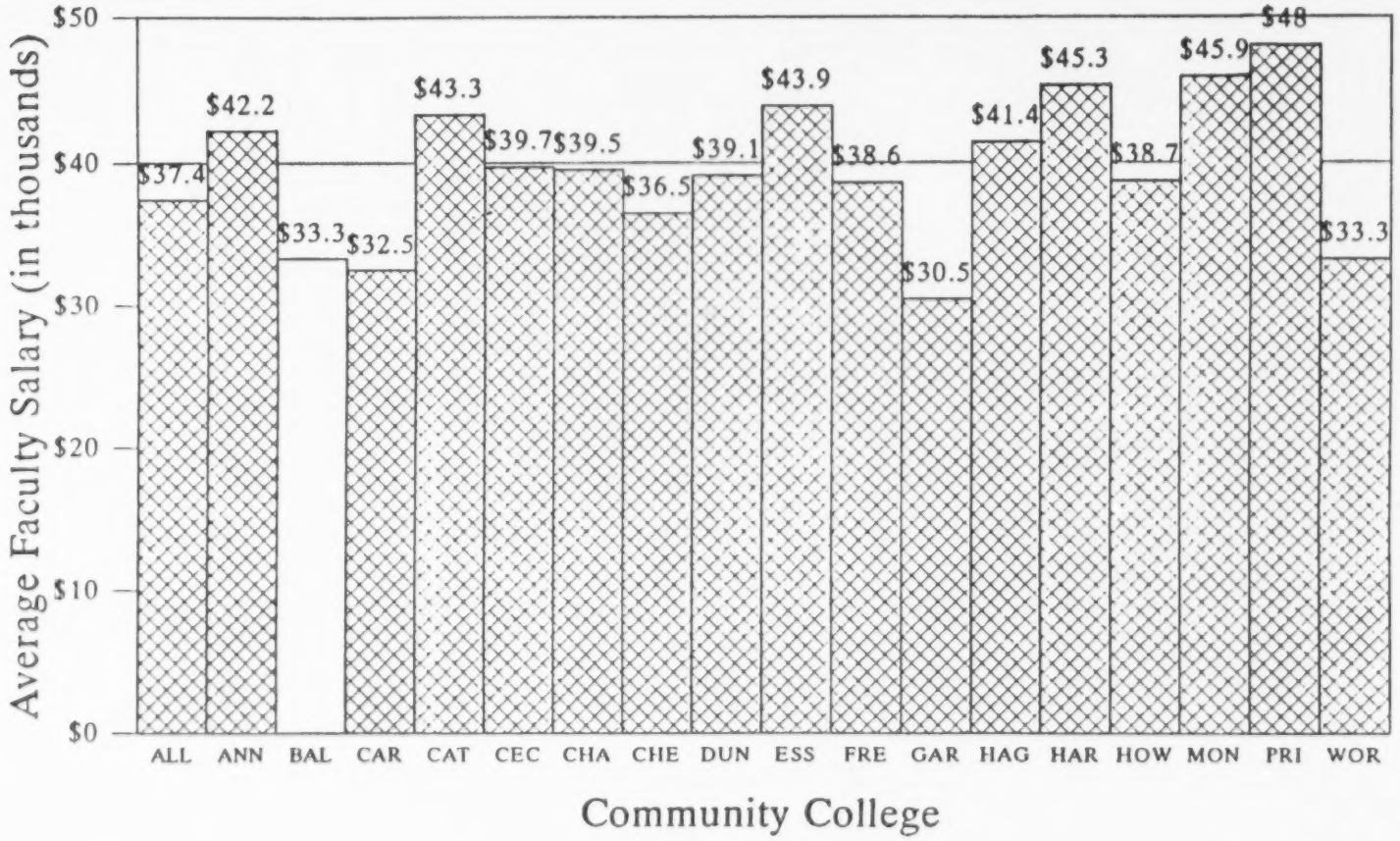
Options: a. Include language in the final report specifying a specific percentage increase or funding level for BCCC to raise its average faculty salary level; or

b. Request BCCC to provide further analysis and comparisons of faculty salaries by rank and workload. BCCC should establish a target salary range, develop a plan to meet the target with state and college resources, and describe how faculty workload and performance appraisals are used in determining promotions.

Recommendation: The workgroup recognizes the unique characteristics of BCCC and encourages the Governor to consider these when he prepares its budget. The workgroup believes that BCCC should not be penalized for being a state institution and should, therefore, receive an increase comparable with any increase given in state aid for other community colleges. Further, the workgroup believes MHEC should analyze BCCC's faculty salary structure. The analysis should include a comparison of faculty salaries by rank and workload and consideration should be given to the percentage of faculty teaching remedial courses.

SALARIES OF FULL-TIME FACULTY

Maryland Community Colleges
Average Salary of Ten-Month Faculty, Fiscal Year 1994



Systemwide weighted average salary = $42,195

Prepared by the Department of Fiscal Services, July 1994 (Source: 1994 Databook, Maryland Association of Community Colleges)
Abbreviation is the first three letters of the college name. 07/12/94 jdt

EXHIBIT 28

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14. Articulation

Issue: A growing number of students transfer from the State's community colleges to a 4-year public institution of higher education in Maryland. Testimony before the workgroup raised significant concerns regarding difficulties in transferring credits earned while attending community college to these four-year institutions. A loss of credits results in an inefficient use of public funds, as well of the students' time and money.

Options: a. Recommend that community colleges negotiate with 4-year institutions and reach agreement on requirements for common courses so that credits earned for these courses are accepted on transfer.

b. Recommend implementation of a common course numbering system;

c. Recommend more consistency in general core course education requirements among public colleges and universities;

d. Emphasize need to counsel students at community colleges early in their education on the transferability of certain courses to 4-year institutions; and/or

e. Recommend that ARTSYS contain information on all public colleges and universities in the State and that it be readily available for use by all students.

Recommendations: The workgroup recommends that the Maryland Higher Education Commission work with all segments of the higher education community in establishing a general education standard core curriculum. The establishment of this policy shall assure students that general education courses taken at any community college in the state will transfer to a 4-year public institution in the state. Additionally, the workgroup expects the University of Maryland System, Morgan State University, and St. Mary's College to respond cooperatively to the leadership of MHEC on this issue. Furthermore, the workgroup recognizes the key role of faculty in successfully resolving the issue of articulation because of their responsibility for developing course content and curriculum.

The workgroup requests the Maryland Higher Education Commission to report to the Senate Budget and Taxation Committee and the House Appropriations Committee during the hearings on the Commission's budget on the progress made in fulfilling this objective.

Additionally, the workgroup recommends sending a letter to the Maryland Higher Education Commission outlining the serious concerns of the workgroup regarding the issue of articulation. The letter will request that the Commission make this issue a priority and work to resolve it as expeditiously as possible. Further, the workgroup requests a timetable and plan of action for its resolution.

Finally the workgroup recommends that there be much greater emphasis placed on the need to counsel students at community colleges early in the students' education on the transferability of certain courses to 4-year institutions. The workgroup recommends that the ARTSYS program contain information on all public colleges and universities in the state and be readily available for use by all students.

APPENDICES

MAS V. MIKE MILLER, JR.
ESIDENT OF THE SENATE

CASPER R. TAYLOR, JR.
SPEAKER OF THE HOUSE

MARYLAND GENERAL ASSEMBLY
STATE HOUSE
ANNAPOLIS, MARYLAND 21401-1991

June 20, 1994

TO: Senator Arthur Dorman, Senate Co-Chairman
Delegate Henry B. Heller, House Co-Chairman
Senator William H. Amoss, Senate Vice Co-Chairman
Delegate Donald C. Fry, House Vice Co-Chairman

Members, Joint Legislative Workgroup on Community College Financing

FROM: Thomas V. Mike Miller, Jr., President of the Senate
Casper R. Taylor, Jr., Speaker of the House of Delegates

RE: Focus of the Joint Legislative Workgroup

A comprehensive assessment of the State's community college funding formula is the '94 Interim objective of the Joint Legislative Workgroup on Community College Financing.

Chapter 465 of the Acts of '91 created a new State funding formula for community colleges. The objective was two-fold: (1) reduce reliance upon tuition fees for operational costs, thereby facilitating affordability and increased admissions; and (2) target State financial support to 46% of overall operational costs by fiscal year 1996 via 2% annual incremental increases -- an amount equivalent to State funding for 4-year colleges/universities and 11% higher than the 35% State share of funding that existing when Chapter 465 was enacted.

Chapter 465 envisioned the following increases to accomplish the 46% goal: $22.6 million in '93 -- $15.1 million in '94 -- $16.5 million in '96 -- $17.9 million in '96.

To date, neither objective has been accomplished -- tuition increases have skyrocketed and the State's funding share has significantly dropped. Specifically, the recession's impact resulted in a funding scenario that in 1990 saw State funding at 35% and tuition at 27% -- by '94, the State share was reduced to 30% and tuition increased to 35%.

We recognize that the community colleges haven't been alone with respect to recent budget reductions. The '95 budget for the 4-year colleges/universities stands at a level of overall State support of approximately 35% (down from the historical 46%) -- and, if the State had increased the community colleges to the 4-year colleges/universities 35% level for '95 (vs. 29%), another $35 million would have been required.

The original '95 budget only proposed a level of State funding to support 29% of overall costs ($107.9 million) with a tuition equivalent of about 35%. Given related concerns shared with the Governor during the '94 Session, the Governor proposed, and the General Assembly approved, a $3 million "equity adjustment" to the community college formula. However, this "adjustment" only addressed disparities of aid among the community colleges and not the overall level of funding consistent with the 46% goal.

Of equal concern is the State's financial commitment to the Baltimore City Community College. Chapter 220 of the Acts of 1990 set forth a maximum level of funding for two consecutive fiscal years ('92 and '93); but, envisioned strong financial State support as evidenced by Section 16-601 of the Education Article: "It is further recognized that a partnership between the State and business community is essential to attain the requisite level of financial support to create and sustain a quality institution that is responsive to the technological and continuing education needs of businesses."

The College's initial State appropriation when it became a State agency was $17.1 million. The fiscal year 1995 appropriation, after across-the-board reductions, is $16.6 million. Baltimore City Community College continues to receive virtually the lowest government funding per full-time equivalent student of the Maryland community colleges. Despite this reduced level of funding, the College has increased credit enrollment by 33%, improved student retention and expanded programs with businesses and City schools with less State aid than it began with in 1990.

While funding for Baltimore City Community College is not part of the community college funding formula, the State's financial obligation to the College has been established via Chapter 220.

Consequently, the objective of the Joint Legislative Workgroup on Community College Financing is 4-fold: (1) assess the reasonableness of the State's overall financial commitment to the State's community colleges; (2) determine whether the existing State vs. local funding share and attendant method of allocation is equitable, especially in comparison to other states; (3) identify alternative and creative ways to help State/locals finance future operating and capital costs; (4) examine the State's responsibility to adequately fund the Baltimore City Community College in accordance with its commitment via Chapter 220; and (5) consider other pertinent matters as deemed appropriate.

Responsibility for staffing the Joint Workgroup rests with the Departments of Fiscal Services and Legislative Reference as directed by the co-chairs and cooperation/input from the Maryland Association of Community Colleges and the Maryland Higher Education Commission will be provided. The Joint Workgroup should submit its final conclusions/recommendations to the Legislative Policy Committee and the appropriate standing committees no later than January 1, 1995.

We anxiously await your findings and recommendations.

TVMM/CRT:tcd
cc: Senator John A. Cade
Senator Gloria Lawlah
Senator Christopher J. McCabe
Senator Ida G. Ruben
Delegate Richard N. Dixon
Delegate Carolyn J. B. Howard
Delegate Nancy K. Kopp
Delegate Salima S. Marriott

COMMUNITY COLLEGES

GLOSSARY

ACADEMIC CREDIT: A unit of a course of study leading to a formal award granted by an institution.

ARTICULATION: The process of students transferring from one college or university to another without unnecessary loss of time or duplication of courses.

CONTINUING EDUCATION: Regularly scheduled courses offered not for academic credit but designed to meet the needs of students. Courses usually satisfy vocational, professional, or self-development needs of adult students or special populations (i.e. senior citizens, handicapped students, incarcerated individuals). Avocational and recreational continuing education courses are also offered but are not eligible for State funding.

ELIGIBLE FTE: Counted in computing full-time equivalent student enrollments for the purposes of funding. Includes those students enrolled in credit courses and non-credit courses approved for State funding by the Maryland Higher Education Commission.

FULL-TIME EQUIVALENT FACULTY (FTEF): The sum of the number of full-time faculty plus the number of course credit hours taught by part-time faculty divided by 30.

FULL-TIME EQUIVALENT STUDENT (FTES): The number of student credit hours generated during a fiscal year divided by 30.

FULL-TIME FACULTY: An employee whose primary responsibility is instruction, research and/or service, who is classified by the institution as a full-time employee, is employed on a contract of at least 9 months length, and is not employed full-time by another employer.

FULL-TIME STUDENT: A student enrolled for twelve or more semester credits.

HEADCOUNT: The sum of all full-time and part-time students for a specific period of time, i.e. semester, academic year, etc.

INELIGIBLE FTE: Not counted in computing full-time equivalent enrollments for the purposes of funding. Includes students enrolled in courses not approved for State funding by the Commission as well as nonresident students and employees enrolled under tuition waivers.

PART-TIME STUDENT: A student enrolled for less than twelve semester credits.

RESTRICTED FUNDS: Current funds that are limited by donors and other external agencies to specific purposes, programs, or departments.

SEMESTER HOUR OF CREDIT: Awarded for a minimum of 15 hours (50 minutes each) of actual class time, exclusive of registration, study days, and holidays.

STUDENT CREDIT HOUR: The number of students enrolled in a course multiplied by the course credit hours (25 students enrolled in a 3 credit course would equal 75 student credit hours).

TUITION WAIVER: An exemption from payment of tuition available to certain students (employees and dependents, persons 60 years or older, retired and disabled, and certain displaced homemakers) in accordance with §16-205 the Education Article, Annotated Code of Maryland.

UNRESTRICTED FUNDS: Current funds received for which no stipulation was made by the donor or other external agency as to the purposes for which they should be expended.

Maryland Higher Education Commission
September 30, 1994

CODE OF MARYLAND REGULATIONS

Title 13C
STATE BOARD FOR COMMUNITY COLLEGES

16 Francis Street
Annapolis, Maryland 21401

(5) In addition to issuing his report on the formal financial statements which he addresses to the board of trustees of the community college, the independent certified public accountant shall also issue his report on the SBCC-CC-4 (Annual Financial Report to the Maryland State Board for Community Colleges) which is a special purpose report needed by the State Board for Community Colleges to fulfill its responsibilities in administering State aid to community colleges. The independent certified public accountant shall render his report on the scope of his examination of the SBCC-CC-4 and express his opinion as to the fairness of the Summary Statement of Revenues and Expenditures and the enrollment data. Explicit references in the scope and opinion sections are required with regard to enrollment data. The opinion section of the report shall indicate whether the principles and procedures governing the interrelationship between the unrestricted current general fund and the auxiliary enterprise fund result in a fair presentation of the unrestricted current general fund revenues and expenditures. The independent certified public accountant also shall prepare a reconciliation of any differences in total unrestricted current revenues as shown in the SBCC-CC-4 and those same revenues as shown in his formal report to the board of trustees as well as a reconciliation of any differences in total unrestricted current expenditures as shown in the SBCC-CC-4 and those same expenditures as shown in his formal report to the board of trustees of the community college. For purposes of expressing an opinion on the SBCC-CC-4, the independent certified public accountant shall be aware of the following:

(a) Full-time equivalent student enrollment shall be audited with the same diligence as applied to the financial statements, that is, the general standards and standards of field work apply to the enrollment audit. The specific tests of the enrollment records and the auditing procedures to be applied to the enrollment records are the responsibility of the independent certified public accountant.

(b) Full-time equivalent students equal total student credit or equated credit hours generated in a fiscal year divided by 30.

(c) Full-time equivalent enrollment is measured as of the end of the third week of classes each semester and after 20 percent of the time has lapsed for shorter sessions.

(d) Full-time equivalent enrollment in credit or equated credit courses which continue for a period of time which is more than or less than a semester shall be measured at a point in time which is 20 percent of the total course time.

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(e) Part-time credit students, for purposes of State aid, are equal to the number of unduplicated credit students enrolled in the fall and spring semesters for less than 12 credits.

(f) Students shall be classified by their geographic area of residence to ensure that out-of-State students do not enter into the computation of full-time equivalent students for State aid purposes.

(g) Full-time employees of the community college may enroll during their nonworking hours without tuition charge. These employees may not be included in the computation of full-time equivalent students for the purposes of State aid.

(h) A resident of this State who is 60 years old or older is exempt from payment of tuition and shall be counted in computing full-time equivalent enrollment.

(i) Full-time equivalent enrollment is to be reported to the State Board for Community Colleges within the fiscal year in which the courses are taught. Full-time equivalent enrollment in credit or equated credit courses that are conducted over the fiscal year-end shall be reported in the fiscal year in which the courses are predominantly taught.

(j) Auditors shall direct particular attention to sections of the State Board for Community Colleges general policies regarding contractual agreements with organizations offering instruction, State or federally funded contracts, and maintenance of effort by local subdivisions.

(k) When State or federally funded contracts or grants, or both, pay for program or course costs, or both, State aid will not be paid for that proportion of full-time equivalent students whose total costs are funded by the grant or contract.

(l) There is a clear distinction between the State's participation in support of current expenses and in support of construction projects, and this distinction shall be maintained in the college's accounts and reports.

(m) "Transfer" expenditures shall be included in adjusted unrestricted current operating expenditures only if the nature of the transfer coincides with the definition of an expenditure defined as an unrestricted current general fund expenditure.

(n) Encumbrances outstanding at year-end shall be substantiated by written and approved purchase orders or contracts for the future delivery of goods or services not received as of June 30. In the

in §D, above. If a management letter recommendation is repeated but the State Board for Community Colleges determines corrective actions are progressing on an acceptable timetable, then the State Board for Community Colleges shall consider that satisfactory progress towards correction has been made and aid payments may not be withheld.

.08 Continuing Education.

A. Except as otherwise provided, all policies of the Board shall be equally applicable to credit programs and continuing education courses.

B. Each community college shall adhere to the guidelines and procedures specified below by the Board:

(1) Enrollment information shall be submitted to the Board for all continuing education courses taught by the community colleges during each fiscal year.

(2) Continuing education courses shall be approved for State funding based upon a review by the State Board for Community Colleges of course titles, descriptions, and objectives.

(3) Continuing education courses which are approved for State funding shall be conducted in accordance with the approved description and objectives and shall be advertised consistently under the title approved by the Board.

(4) Continuing education courses shall be taught for a minimum of 5 contact hours to be eligible for State funding.

(5) Recreational courses may not be approved for State funding.

(6) Approval for State funding of a continuing education course shall be for a period of not less than 2 fiscal years unless the college has been otherwise notified in writing by the State Board for Community Colleges.

(7) New submission and evaluation criteria for State funding may not be applied retroactively to approved continuing education courses.

(8) Original enrollment records for continuing education courses certifying student eligibility for State aid shall be retained by the colleges for a period of not less than 5 years.

(9) When two or more community colleges jointly sponsor a continuing education course, participating students shall be enrolled, recorded, and registered by the institution which will ultimately submit them for State funding.

(10) Each student enrolled in continuing education courses for which State funding is requested shall complete and sign individual registration forms certifying student residency.

(11) Each student enrolled in continuing education courses for which State funding is requested shall pay tuition or fees, or both, unless otherwise permitted by State law.

(12) A community college may not receive State funding for students under 16 years old enrolled in continuing education courses, unless otherwise permitted by State law.

(13) A high school student concurrently enrolled in continuing education courses that are part of the student's high school curriculum may not be submitted for State funding.

(14) A community college employee who is enrolled in continuing education courses without payment of tuition, either through tuition waiver, tuition payment reimbursement, or by direct finance of the course work by individual college departments, may not be submitted for State funding.

(15) Instruction in continuing education courses shall involve direct faculty and student contact.

(16) A continuing education course that is approved for State funding shall be open to the public.

(17) A community college may not identify a continuing education course or a series of continuing education courses as credit programs or award credit degrees or credit certificates for the successful completion of continuing education course work. Requirements for award of degrees and certificates are specified in COMAR 13B.02.03.

(18) Each community college shall maintain an open file of general course descriptions and course objectives for each continuing education course offered.

.09 Community College Facilities.

A. Each community college shall submit to the Board for review and comment a proposal for any capital construction project in accordance with guidelines and procedures prescribed by the Board. In submitting a proposal for any project for which the college is not eligible for State participation, the college shall indicate why additional space beyond current guidelines is necessary, how the space will be used, and estimated life cycle impact of the proposed facility on the operating costs of the institution.

APPENDIX D

Community College Establishment Dates

College	Date
Hagerstown Junior College	1946
Montgomery College	1946
Catonsville Community College	1956
Essex Community College	1957
Frederick Community College	1957
Harford Community College	1957
Charles County Community College	1958
Prince George's Community College	1958
Allegany Community College	1961
Anne Arundel Community College	1961
Chesapeake College	1965
Garrett Community College	1966
Howard Community College	1966
Cecil Community College	1968
Dundalk Community College	1970
Wor-Wic Community College	1975
Baltimore City Community College	1992*
Carroll Community College	1993

* Establishment date indicates the current operational structure of the college. The new charter replaced the previously chartered Community College of Baltimore.

76/77

OVERVIEW OF OTHER STATES' FUNDING OF COMMUNITY COLLEGES

State: CONNECTICUT

Two year and four year colleges and universities are funded in the same manner. Each institution submits a current services request, which is defined as last year's actual costs plus additional dollars required to provide the same level of services this year (i.e., mandated pay raises, etc.). Special budget requests, (i.e., for new programs) become "above current services requests."

State: ILLINOIS

Formula allocation is based on a rate per funded semester credit hour equivalent. The six funding categories are: baccalaureate and general academic, business and service occupational/vocational, technical occupational/vocational, health occupational/vocational, remedial/developmental, and adult basic/adult secondary education.

State: INDIANA

Indiana Vocational-Technical College System (Ivy Tech) is funded on "base plus." Cost per FTE is $3,500. No difference in funding is provided for arts/science course over technical course. A snapshot of enrollment is taken on odd years for allocation two years later. Ivy Tech goes to the legislature through the Commission on Higher Education to fund all new programs.

State: MISSISSIPPI

A base amount of the state appropriation is allocated to each of the fifteen institutions equally. The formula provides for additional reimbursement to colleges based on cost per full-time equivalent student. Cost per FTE is determined in five weighted program/discipline areas: academic, technical, vocational (secondary), part-time academic, and associate degree nursing. Technical programs are weighted more heavily than academic programs.

State: PENNSYLVANIA

Community colleges are funded at a dollar rate per FTE. Faculty-student ratios are not used. Variations exist in the process for three categories of programs: technical education, $1000 per FTE; advanced technical education, $1100 per FTE; others, $500 per FTE. In addition, the state supports the community colleges by sharing one-half of the cost of debt

service (leases, etc.). The funding process has a built-in ceiling for capital costs. Student-generated funds are limited to one-third of a college's operating costs. Pennsylvania has a variable state-share ceiling that varies according to local contributions to a college's funding. The state share can vary from one-third to one-half of the college's budget. Fifty percent has been the maximum for state support of a college's operating budget.

State: TENNESSEE

Formula funding, which is presently under intensive study, differentiates between technical and academic courses. The formula also recognizes a difference between remedial and other lower level courses and recognizes cost factors in technical programs through the use of faculty-student ratios and salaries.

State: TEXAS

Two-year colleges in Texas are funded on cost per FTE student. Funding rates are revised every two years through a process of evaluating contact hours to determine system median costs. Median costs by program are used to develop a budget. Other complexities considered include local appropriation, president salary supplements, etc. Technical programs generate more funds per FTE due to cost calculations.

State: VIRGINIA

Due to financial constraints, the Virginia Community College System has experienced base funding without increase for the last three years. A formula developed the base funding using faculty-student ratios. The Community College system is free to distribute its own dollars once they are received from the state. The Community College formula has adjustments for different sizes of colleges.

Computation of State and County Aid to Community Colleges

§ 16-403. Computation of State and county aid to community colleges.

(a) *Definitions.* — In this section the following words have the meanings indicated.

(1) "Assessed valuation of real property" means assessed valuation of real property as determined for purposes of the State aid calculated under § 5-202 of this article.

(2) "Board" means:

(i) In a county that has 1 or more community colleges, the board of community college trustees for the county; or

(ii) Where 2 or more counties establish a region to support a regional community college, the board of regional community college trustees.

(3) "Community college" means a community college established under this title but does not include Baltimore City Community College.

(4) "County share" means the total amount of money for operating funds to be provided each fiscal year to a board by the county that supports the community college or colleges or, in the case of a regional community college, the total amount of money for operating funds to be provided each fiscal year to the board by all counties that support the regional community college.

(5) "Direct grants" means the sum of the following components of the State share:

(i) Fixed costs;

(ii) Marginal costs;

(iii) Size factor; and

(iv) Wealth factor.

(6) "Full-time equivalent student" is the quotient of the number of student credit hours produced in the fiscal year 2 years prior to the fiscal year for which the State share is calculated divided by 30, as certified by the Maryland Higher Education Commission.

(7) "Population" means population as determined for purposes of calculating the State share of the library program using the definition in § 23-401 of this article.

(8) "Region" means the counties supporting a regional community college established under Subtitle 3 of this title.

(9) "State share" means the amount of money for community college operating funds to be provided each fiscal year to a board by the State.

(10) "Student credit hours" means student credit hours or contact hours which are eligible, under the regulations issued by the Maryland Higher Education Commission, for inclusion in State funding calculations.

(11) "Total State operating fund" means the sum of community college State appropriations for direct grants and for challenge grants.

(12) "Wealth" means wealth as determined for purposes of the State aid calculated under § 5-202 of this article.

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(b) *Computation, distribution of funds.* — (1) The total State operating fund per full-time equivalent student to the community colleges for each fiscal year as requested by the Governor shall be not less than an amount equal to the total State operating fund per full-time equivalent student in the previous fiscal year.

(2) The State share shall be distributed to each board and shall be limited by the provisions of subsection (c) of this section.

(3) Subject to subsection (c) of this section, the total State share for each board shall be the sum of:

(i) The fixed costs component;

(ii) The marginal costs component;

(iii) The size factor component;

(iv) The wealth factor component; and

(v) The challenge grant component.

(4) (i) The funds available for the fixed costs component shall be 70% of the year's total State operating fund.

(ii) The funds available for the fixed costs component shall be divided and distributed to the community colleges in the same proportion in which the direct grants were distributed in the prior fiscal year.

(5) (i) For each board, the marginal costs component shall be the product of the dollar amount per full-time equivalent student multiplied by the number of full-time equivalent students at the board's community college or colleges.

(ii) The dollar amount per full-time equivalent student shall be calculated by dividing 27% of the total State operating fund for the fiscal year by the total number of full-time equivalent students at community colleges statewide.

(iii) In determining the marginal costs component for a board, the number of full-time equivalent students at all campuses and colleges operated by the board shall be added together.

(6) (i) Except as provided in subparagraph (ii) of this paragraph, the size factor component shall be determined by dividing and distributing equally 1.75% of the total State operating fund to each board which operates a community college or colleges at which the total number of full-time equivalent students is less than or equal to 80% of the statewide median.

(ii) For each board which operates a community college or colleges at which the total number of full-time equivalent students is greater than 80% of the statewide median but less than or equal to 200% of the statewide median, the size factor component shall be determined by dividing and distributing equally 0.25% of the total State operating fund to each eligible board.

(iii) In determining the eligibility of a board for a size factor component, the number of full-time equivalent students at all campuses and colleges operated by the board shall be added together.

(7) (i) A board shall be eligible for a wealth factor component if:

1. The county share for the previous fiscal year divided by the total assessed valuation of real property in the supporting county or region is greater than or equal to the statewide median; and

2. The per capita wealth of the supporting county or region is less than 80% of the statewide per capita wealth or the total assessed valuation of real property in the supporting county or region is less than $1,000,000,000.

(ii) The wealth factor component shall be determined by dividing and distributing equally among eligible boards ½% of the total State operating fund.

(iii) For purposes of this section, per capita wealth is wealth divided by population.

(iv) In determining the eligibility of a board for a wealth factor component, the wealth, population, and assessed valuation of real property of the supporting counties shall be considered in the aggregate as a region.

(8) (i) Any portion of the total State operating fund not distributed as direct grants shall be available for challenge grants.

(ii) The purpose of the challenge grant component is to address statewide initiatives and economic development needs.

(iii) The challenge grants shall be distributed in amounts determined by the State Board for Community Colleges to eligible boards based upon criteria developed by the Maryland Higher Education Commission and the Department of Economic and Employment Development.

(9) Any employer Social Security contributions required by federal law for any employee of a board of community college trustees shall remain the obligation of the employer.

(10) The State contribution to retirement and fringe benefit costs is not included in the calculations of amounts under this subsection.

(c) *Increase in the State share of support.* — In each fiscal year, in order for a board to receive an increase in the State share of support, each county that supports the community college or colleges shall provide operating fund appropriations to the board in an amount not less than the county provided in the previous fiscal year. (1991, ch. 465, §§ 1, 3; 1992, ch. 22, § 3; ch. 208; 1992, 2nd Sp. Sess., ch. 1.)